Arms control
Vacuum in the disarmament process
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FINANCIAL TIMES

Europe's Business Newspaper FRIDAY FEBRUARY 12 1993 D8523A

Delors hits at 'wildcat' devaluations

European Commission president Jacques Delors attacked "wildcat" devaluations which were undermining confidence in the European exchange rate mechanism. His remarks underline resentment at sterling's withdrawal from the ERM last autumn. Page 14; France's PM urges faster move to Emu, Page 2; The way out for Major, Page 12

Clinton move on Uruguay Round: US trade representative Mickey Kantor said Congress would be asked to extend the "fast-track" negotiating authority which is vital for completing the Uruguay Round. Page 6

Britain and the ERM: Eddie George, governor-designate of the Bank of England, said it would be "at least 9 to 15 months" before sterling rejoined the European exchange rate mechanism. He warned against further cuts in UK interest rates and said inflation was under control. Page 7

German airliner hijacked: A lone gunman hijacked a German airliner after it took off from Frankfurt with 104 people aboard. He forced it to head for New York after threatening to kill passengers. The hijacker, at first said to be a Bosnian, was later described as an Arab.

Moslems in 'new offensive': Bosnia's Moslems have launched a new offensive in Sarajevo, the UN said. Four French soldiers were injured during the attack on the Serb stronghold of Ilidza. The Bosnian Moslem-led government told the UN that the besieged capital had decided to reject further humanitarian help out of sympathy for Moslems cut off from international aid by Serb forces. US muscle for the mediators, Page 3

Sears, Roebuck, big US retailer, detailed restructuring plans including a $4bn spending programme on its stores and a 58.6 per cent cut in debt and deposits. Page 14

UK plans roads privatisation: Britain's Department of Transport is planning to transfer responsibility for the national road network to a separate agency as a prelude to possible privatisation. *Page 14*

Queen's tax plans: British prime minister John Major told parliament that Queen Elizabeth and heir to the throne Prince Charles are to pay income tax on their personal income "according to the normal tax rules." Page 7; Editorial Comment, Page 13

BP cuts costs: British Petroleum said its huge debt burden was beginning to yield to strict cost-cutting measures. BP made a 1992 loss of £352m on a replacement cost basis after a restructuring charge of £994m. Page 15; Lex, Page 14; Details, Page 21

Job cuts imminent at Leyland Daf: Receivers for Leyland Daf warned the company's 5,500 UK workers that any industrial action to halt redundancies would force the whole company to close. They said the workforce would soon be cut by 30 per cent. Page 14

Indian rupee plunges: The Indian rupee fell to an all-time low on foreign exchange markets amid speculation that further liberalisation of the currency will be announced in the budget later this month. Page 4

Indonesians discuss UK steel plant: British Steel said it was in serious talks with Indonesia's PT Gunawan Dianjaya about selling its closed plant at Ravenscraig, Scotland. The private Indonesian company would dismantle the hot strip mill and ship it to Malaysia.

Trafalgar House, UK construction, property and shipping group, announced a one-for-two rights issue to raise £204.5m ($306.8m) and warned of further property write-downs. Page 15; Lex, Page 14

Malay rulers curb rights: Malaysia's nine hereditary rulers agreed to government plans to curb their rights, so averting a constitutional crisis. Changes include setting up a special court to try errant rulers and allowing parliament to debate their role and conduct openly.

Rhino horn conviction: Zimbabwean MP Benjamin Moyo of the ruling Zanu-PF was convicted of illegally possessing rhino horns. The charge carries a minimum five-year jail sentence.

Toll-free: A Swedish crime syndicate stole thousands of mobile telephones, reprogrammed them so the bill would be sent to someone else, then sold them as "no-charge phones". The racket came to light when some mobile phone subscribers received sky-high bills.

STOCK MARKET INDICES

FT-SE 100:	2,834.3	(+17.9)
Yield	4.32	
FT-SE Eurotrack 100	1,126.71	(+5.21)
FT-A All-Share	1,361.80	(+0.5%)
Nikkei	closed	
New York lunchtime		
Dow Jones Ind Ave	3,437.54	(+25.12)
S&P Composite	448.74	(+2.51)

US LUNCHTIME RATES

Federal Funds:	2 11/16%
3-mo Treas Bills: Yld	2.972%
Long Bond	104 15/32
Yield	7.29%

LONDON MONEY

3-mo interbank	6 1/16%	(6¼%)
Liffe long gilt future:	Mar 100 11/32	(Mar 101 11/32)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$18.45	(18.40)

Gold

New York Comex (Feb)	$332.2	(333.4)
London	$331.75	(330.15)

STERLING

New York lunchtime:		
$	1.4185	
London:		
$	1.4185	(1.4275)
DM	2.3525	(2.3625)
FFr	7.95	(7.995)
SFr	2.1775	(2.19)
Y	170.5	(172.5)
£ Index	76.0	(76.4)

DOLLAR

New York lunchtime:		
DM	1.65765	
FFr	5.6075	
SFr	1.534	
Y	120.4	
London:		
DM	1.658	(1.655)
FFr	5.605	(5.6)
SFr	1.5355	(1.534)
Y	120.25	(120.9)
$ Index	66.9	(67.0)
Tokyo Y closed		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S Arabia	SR11		
Belgium	BFr60	Iceland	Kr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Spain	Pta200		
Czech Rp	Kcs45	Israel	Shk5.30	Norway	NKr16.00	Sweden	SKr15		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00		
Finland	FM12	Korea	Won 2500	Philippines	Ps045	Thailand	Bht50		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000		
						UAE	Dh11.00		

Clinton launches attack on executive salary levels

By Jurek Martin in Washington

PRESIDENT Bill Clinton made clear yesterday that he intends not only to increase taxes on US corporations but also to penalise the more extravagant executive salaries.

He told business leaders summoned to the White House, in paraphrase of Thomas Jefferson, that Americans were best at "answering alarm bells in the night." It was time, he declared, for "you to do your part."

The president has frequently spoken of the need for shared sacrifice to cut the federal budget deficit. He pointed yesterday to "the enormously increased rate of executive compensation in the last 12 years," far in excess of average pay rises.

Without disclosing details, he went on: "I want to make a proposal that deals with the fact that the tax code should no longer subsidise excessive pay for chief executive and other high executives, excessive defined as unrelated to the productivity of the enterprise."

In last year's election campaign Mr Clinton spoke disparagingly of executive salaries of more than $1m a year against a background of corporate job losses. Yesterday he said that higher taxes on executive incomes would have "relatively small dollar impact but great significance to the American working people."

At a later press briefing, Mr George Stephanopoulos, White House communications director, confirmed that Mr Clinton is considering reducing the amount of executive pay that corporations can deduct from their taxes.

"Right now, you get full deductibility for corporate executive pay," said Stephanopoulos. Clinton "would look to restrict that in some way, tying it to performance of the company."

The president specifically linked the tax increases on corporations and individuals, which he will address in general terms in next Wednesday's state of the union message and specifically in the budget due on March 23.

"I have also been persuaded by my treasury secretary that it is unwise, indeed impossible, to raise the individual income tax rate unless there is a corresponding increase in the corporation tax rate to avoid tax shifting," he said.

It has been assumed for some time that Mr Clinton would probably propose increasing the corporate tax rate from 34 to 36 per cent and the top rate on the wealthiest individuals (defined as families with an income of more than $200,000 a year) from 31 per cent to 36 per cent.

Mr Clinton was careful to repeat another element of his economic plan: that the corporate tax system should be reformed "to ensure that it rewards and encourages those who invest in productivity, in plant, equipment, research and development, in people who will create jobs and in the markets of tomorrow."

The economic stimulus package being worked on by the administration will almost certainly include bigger investment tax credits – in the $10bn to $15bn range – as well as specific public works programmes.

Craxi quits in new blow to Italian Socialists

By Robert Graham in Rome

■ Central bank freed Page 3
■ Marred achievements Page 14
■ World stock markets Page 42

MR BETTINO CRAXI, one of the most influential and controversial politicians in postwar Italy, yesterday resigned from the leadership of the Socialist party which he has headed since 1976.

The 59-year-old Socialist leader was forced to step down because of his alleged involvement in the growing corruption scandal in Milan, the centre of Mr Craxi's power base which he ran with an iron grip.

He has received five warrants from Milan magistrates advising him he is under investigation for alleged illicit party funding by obtaining kickbacks on public works contracts. A sixth warrant has been served relating to the fraudulent bankruptcy of the Banco Ambrosiano in 1982.

The resignation came at the end of a string of remarkable political events in the previous 24 hours. On Wednesday Mr Claudio Martelli, once Mr Craxi's closest political ally and possible successor, resigned both from his justice ministry portfolio and membership of the Socialist party after being implicated in the scandal.

Yesterday morning Mr Piero Barucci, the treasury minister and Mr Francesco Saverio Borrelli, the Milan attorney-general, were obliged to make public statements to scotch rumours that more senior figures in government and industry were in danger of being caught in the corruption scandal.

For nearly an hour just before midday there was heavy selling of shares and government paper in the markets and the lira began to slide. However, intervention calmed the markets and brought prices and the lira parity back to the previous day's levels.

The reaction of the markets underscored the extraordinary atmosphere of rumour and uncertainty caused by the ever widening investigations by Milan magistrates into corruption.

Last night a special assembly of the Socialist party met in Rome to decide on a successor to Mr Craxi.

Mr Craxi was still insisting last night on having a major say in the succession, and Mr Valdo Spini, a 47 year-old member of parliament considered to be on the party's left, appeared the most likely compromise candidate.

Mr Martelli resigned on being informed he was under investigation, like Mr Craxi, for the fraudulent bankruptcy of Banco Ambrosiano. Milan magistrates have alleged they were involved in using a Swiss bank account to receive illicit contributions from the late Mr Roberto Calvi, the head of Banco Ambrosiano who was found hanged at in London in 1982. The contribution was allegedly made following a $50m loan from ENI, the Italian state oil concern controlled by the Socialists.

Mr Giuliano Amato, the prime

Continued on Page 14

Russian president Boris Yeltsin (right) meets his political arch rival, parliamentary chairman Ruslan Khasbulatov, for truce talks. Page 3

Rühe faces battle for political life

Kohl humiliates minister after attack on DM860m German defence cuts

By Quentin Peel in Bonn

MR VOLKER Rühe, the German defence minister once regarded as a likely heir apparent to Chancellor Helmut Kohl, appears to be fighting for his political life in a bitter battle over cuts in the defence budget.

Twice in the past week Mr Rühe has been publicly humiliated by Mr Kohl after he attacked a government decision to order new spending cuts of more than DM860m in his DM50bn budget and to consider further cuts in troop strength.

First he was rebuked in an official statement from the Chancellor's office, which rejected his accusation that he was facing "the dictatorship of the finance minister", Mr Theo Waigel. Mr Kohl said the defence cuts were agreed by the whole cabinet.

Then he was left sitting outside a meeting of the coalition leadership in Mr Kohl's office for more than an hour, only to be abruptly told there was no time left to discuss the defence cuts. After he went home they discussed the cuts after all.

Mr Rühe, who last year won popular acclaim for attempting to pull out of the European Fighter Aircraft (EFA) project, only to be forced to retreat in the face of furious opposition from the German defence lobby and the British government, has made no secret of his fury at the latest round of cuts.

Although he launched himself as defence minister last year on the promise of delivering the "peace dividend" to the German taxpayer, he now believes the cuts have gone too far.

When Mr Kohl announced last weekend at the Munich security conference that he had ordered a new review of numbers in the Bundeswehr, beyond the current target of 370,000 men by 1995, Mr Rühe sat in silence, looking set to explode. That night, he appeared on Bavarian television to charge Mr Waigel (and by implication, Mr Kohl) with high-handed dictatorship.

At stake is a drastic increase in the savings being demanded from this year's budget, as part of the government's consolidation programme to finance spending in east Germany. Originally set at DM300m, the sum was suddenly raised to DM863m in order to scrap a politically unpopular move to means test children's allowances.

Last week Mr Rühe announced an immediate freeze on all new defence contracts, and the cancellation of plans to buy a DM3bn aerial reconnaissance system from the US.

"I was merely saving money I did not have in the first place," he said later. "It certainly will not mean there is any extra money for the Eurofighter."

Mr Rühe was promoted to the Cabinet last April after the resignation of Mr Gerhard Stoltenberg.

He was previously secretary-general of the Christian Democratic Union (CDU), Mr Kohl's party, and long seen as key figure in the new generation of party leaders.

Lacking a strong grassroots base of his own – he comes from Hamburg, where the local CDU organisation is weak – Mr Rühe has traditionally relied on Mr Kohl's personal support and his own considerable political wits.

GM reports improved fourth quarter results in the US

By Martin Dickson in New York

GENERAL MOTORS yesterday reported improved fourth quarter results from its troubled North American vehicle business, but it also announced a $23.5bn loss for 1992, largely because of a non-cash change in accounting principles.

The net loss for the year was by far the largest ever recorded by a US company but was immediately discounted by Wall Street, which focused instead on the group's encouraging fourth quarter figures.

GM is in the throes of a huge restructuring designed to return its North American vehicle operations to profit. This involves factory closures, sharp cuts in employment, new working practices and a reduction in money-losing sales designed to bolster market share.

It reported yesterday that North America lost $4.5bn in 1992 before interest, tax and special items, down from $7.9bn in 1991.

In the fourth quarter, the loss was $966m, down from $1.27bn a year earlier, but an apparent slowdown in the rate of improvement over the first nine months of the year. GM said this was due partly to a conservative year-end examination of reserves for vehicle warranties and employee retirement.

Mr Jack Smith, the chief executive, said the company had enjoyed strong positive cash flow in the quarter and continued to aim for the "aggressive but achievable" goal of break-even in North America in 1993, before interest, taxes and retiree health expenses. The company ended the year with cash balances of $8bn, compared to debt of $8.3bn.

The North American target assumes that the US vehicle market will grow around 5½ per cent this year to around 13.7m units, and that prices will firm.

However, GM expects the highly profitable European market to get weaker. Its international vehicle operations earned $218.4m in the fourth quarter, down from $286.2m, a year before, while the full year income was $1.2bn, down from $1.5bn.

GM as a group reported a fourth quarter net loss of $651.8m, or $1.25 a share, after taking a previously announced $744m charge at its National Car Rental System subsidiary, a $165m gain on the sale of its stake in Daewoo Motor of South Korea and a $346.1m charge from the effects of the change in health benefit accounting.

In the same period of last year, the group reported net losses after special charges of $2.5bn, or $4.25 a share. Sales and revenues rose from $33.6bn last year to $35.76bn in the 1992 quarter.

In 1991 GM reported a net loss of $4.5bn, or $7.97 a share, after special charges.

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Ford's credit card, Page 17

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Bérégovoy takes harder line than Bundesbank on implementing Maastricht

France urges faster move towards Emu

By William Dawkins in Paris

MR Pierre Bérégovoy, French prime minister, yesterday called for faster progress to European monetary union.

This was essential to ensure that the maximum number of European countries could subscribe to the union, though he recognised that accelerating the process was probably not possible for the time being.

Mr Bérégovoy's remarks – at a conference on Europe: the Way Forward, held by the Financial Times and the French newspaper *Les Echos* – were contrasted with the cautious step-by-step approach to monetary union advocated by Mr Hans Tietmeyer, vice-president of the Bundesbank, who recommended that the timetable laid down in the Maastricht treaty should be strictly followed.

Mr Tietmeyer warned that any attempts to speed up European monetary union would be "dangerous". It would be safer to wait until a first assessment of the impact of the single European market and until the economic convergence criteria detailed in the Maastricht treaty had been durably achieved, Mr Tietmeyer said.

The timetable in the treaty – in three stages up to January 1999 at the latest – was right, he said. The currency turmoil last autumn had underlined the risk of following "an illusory policy".

The convergence criteria must be "observed very closely" while the European Community must make a political effort to head off the burdens created by the end of governmental freedom to adjust individual exchange rates.

Mr Tietmeyer said the present exchange rate parities in the EMS were sustainable and no upsets were expected this year. Imbalances in currency patterns accumulated over years had been sorted out in the realignments started with the currency crisis last September, so that the "EMS has survived and will survive on the basis of current exchange rate parities", he said.

The Bundesbank vice-president paid tribute to the consensus among French political leaders on the need to defend the franc and said he could only encourage them to continue. "The fundamental facts of the French economy are OK and, compared to my own country, are better. The franc had saved itself, not just thanks to the Bundesbank's support."

His remarks are likely to comfort those in French political circles who expect that the French and German central banks will have to beat off a renewed assault on the franc about the time of French parliamentary elections next month. Mr Tietmeyer saw no point in forming a separate fixed-rate inner core of two or three strong currencies, the subject of recent speculation in Paris and Brussels. That "would not be in line with the treaty", the spirit of which is that a basis for monetary union must be laid for all EC members.

"Of course, it is likely that, in the beginning, only some countries would be able to go," he added.

Mr Bérégovoy also warned that the importance of social policies must not be forgotten in the creation of the European single market.

"Europe should not be only about competition and technocracy, it should also be about solidarity," he said, recalling Hoover's recent decision to close a vaccuum cleaner plant near Dijon and shift to lower-cost production in Scotland. The Hoover affair, which has been drawn into the French election campaign, was also seized on by Mr François Périgot, president of the Patronat, the French employers' organisation, who pointed out that French social charges were so high that the US group could hardly be blamed for its move.

He warned that attempts to interfere with foreign investors' freedom to act could harm France's chances of attracting more foreign investment.

France should continue its hard franc policy – "a floating franc would be catastrophic," said Mr Périgot.

The EC had yet to reach the right balance between a firm application of competition policy and the need to support important industries, said Mr Dominique Strauss-Kahn, French minister for industry and foreign trade.

No major economy could maintain its position without a strong industrial base, the minister said.

Mr Henning Christophersen, European commissioner for economic affairs, said the lesson of last autumn's currency crisis was that EC member states should ratify the Maastricht treaty as soon as possible.

He also called for further cuts in German interest rates.

Bérégovoy: issued a warning on progress to monetary union and said that social policies should not be forgotten in the single market

Europe's car sales tumble in January

By Kevin Done, Motor Industry Correspondent

NEW CAR sales in western European plunged by 23 per cent last month compared with a year earlier, according to industry estimates.

Four of the five leading volume markets were affected, led by a 53 per cent drop in Spain. Germany, Europe's biggest, dropped by an estimated 28 per cent to 238,000. France fell by 37 per cent to 113,000, and Italy by 14 per cent to 202,000. The one exception was Britain where new car registrations rose 7.3 per cent, albeit from a very depressed level.

Otherwise, sales were higher in only three of the smaller markets: Norway, Portugal and Ireland.

The scale of the fall will add to growing tensions between the European Community and Japan over the level of Japanese car shipments this year. Officials from the European Commission and the Japanese Ministry of International Trade and Industry failed last week to agree a forecast for the development of the EC car market in 1993.

The forecast is supposed to form the basis for Japan to "monitor" its exports to the EC under the terms of the 1991 understanding intended to restrain Japanese exports during a seven-year transition period before the EC new car market is opened completely to Japanese competition from the end of 1999.

Earlier this week Mr Jörg Wenzel, head of the private office of Mr Martin Bangemann, the EC industry commissioner, urged Japan to cut its car exports to the EC this year to reflect the slump in the market, or risk provoking a crisis in trade relations. He said the German car manufacturing and supply industry alone was expected to lose up to 40,000 jobs this year after more than 30,000 job cuts in 1992.

Japanese registrations in January fell year-on-year by around 18 per cent compared with the overall fall of 23 per cent, which boosted their total west European share sales to 11.5 per cent from 10.7 per cent a year ago. Carmakers fear a drop of 9-10 per cent in new car sales in west Europe for the whole of 1993.

The much sharper fall in January appears to reflect the special factors, which inflated demand artificially in December and pulled sales forward from January.

WEST EUROPEAN NEW CAR REGISTRATIONS
January 1993

	Volume (Units)	Volume Change(%)	Share (%) Jan 93	Share (%) Jan 92
TOTAL MARKET	968,000	−23.1	100.0	100.0
MANUFACTURERS:				
Volkswagen*(incl. Audi,SEAT&Skoda)	160,000	−24.1	16.5	16.7
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	130,000	−16.3	13.4	12.3
General Motors (Opel/Vauxhall, US§ & Saab)	120,000	−24.0	12.4	12.5
– Opel/Vauxhall	115,000	−24.1	11.9	12.0
– Saab**	3,000	−23.3	0.4	0.4
Peugeot (incl. Citroen)	118,000	−26.9	12.2	12.8
Ford (Europe, US§ & Jaguar)	113,000	−25.9	11.7	12.2
– Ford Europe	112,000	−26.0	11.6	12.1
– Jaguar	1,000	+1.4	0.1	0.1
Renault††	102,000	−21.6	10.5	10.3
BMW	32,000	−24.1	3.4	3.4
Nissan	32,000	−18.7	3.3	3.2
Rover†	30,000	+8.4	3.1	2.2
Mercedes-Benz	27,000	−37.0	2.8	3.4
Toyota	23,000	−8.4	2.4	2.0
Mazda	17,000	−23.6	1.7	1.7
Volvo††	15,000	−32.2	1.5	1.7
Honda†	11,000	−25.6	1.1	1.2
Mitsubishi	10,000	−17.5	1.0	1.0
Total Japanese	111,000	−17.8	11.5	10.7
MARKETS:				
Germany	238,000	−27.6	24.6	26.1
Italy	202,000	−13.9	20.9	18.7
United Kingdom	165,000	+7.3	17.0	12.2
France	113,000	−36.6	11.7	14.2
Spain	40,000	−52.8	4.2	6.6

§Cars imported from US and sold in western Europe.
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.

Source : Industry estimates

Dealers scare the D-Mark's Belgian shadow

Andrew Hill and **Sara Webb** on what has brought one of the ERM's hard-core currencies under pressure in the markets

DURING the repeated attacks on the European exchange rate mechanism in recent months, at least the system's "hard core" seemed reasonably safe from assault.

This week, however, it was the turn of the Belgian franc – which along with the Dutch guilder has remained closest to the D-Mark in the last few years – to feel the heat of currency strife.

Remarkably, the Belgian franc has sometimes been seen as a surrogate for the D-Mark. In 1990 Belgium decided to tie its currency to the D-Mark at much narrower fluctuation bands than the 2.25 per cent margin generally ruling in the ERM.

This has enabled the Belgian state to borrow at interest rates close to those on German government bonds – despite overall Belgian public sector debt which, at more than 130 per cent of gross national product, is the highest in the EC.

This week, however, confidence in the Belgian franc was undermined as doubts about the country's political stability sparked concern among international investors about its public finances.

One reason for the volatility was the Belgian National Bank's haste in following last week's cut in the Bundesbank's discount and Lombard rates. When the Bundesbank reduced its interest rates on February 4, the Belgian central bank lowered its special advances rate – used in money market operations – from 8.40 per cent to 8.30 per cent.

On Wednesday, the Belgian central bank was forced to reverse the effort to cheapen credit. After a sharp rise in short-term interest rates and government bond yields at the beginning of the week, the central bank increased its end-of-day rate from 8.80 per cent to 9.30 per cent.

The difference between yields on 10-year Belgian government bonds and those on ten-year German government bonds narrowed from 1.24 percentage points on August 31 1992 to 0.40 of a point on January 8 this year. But during the last few days the gap has widened to as much as 0.90 of a point.

Bond yields

Source: Datastream

Three month money

Source: Datastream

"International investors simply decided the time had come to take profits, as they couldn't see the yield spread narrowing any further," says one bond dealer.

The political worries relate to the constitutional reforms narrowly approved by Belgium's parliament last Saturday. Belgian deputies approved the fundamental part of a far-reaching reform programme which will turn Belgium into a federal state and devolve further powers to its regions.

Belgian economic analysts believe that foreign worries that this could weaken the authority of central government are overdone. They point out the success of Belgium's fragile centre-left coalition in winning a two-thirds majority in parliament over the issue.

However, international investors took a different view. Bond dealers in London admit that hardly any foreign market operators have a detailed understanding of the nature of the constitutional reforms. But the general uncertainty has forced them to re-examine their Belgian government bond holdings.

In particular, their attention was drawn to the link between slack Belgian growth and its rising public deficit, which last year reached BFr485bn, (£9.8bn), 6.9 per cent of GNP.

This is a particular handicap because of the stipulation in the Maastricht treaty that EC members should reduce their deficit to 3 per cent of GNP as a condition for joining economic and monetary union.

The Belgian government is trying to freeze public spending in real terms, increase revenues through fiscal measures and modest privatisation, and stabilise the generous social security budget.

Belgian economists seem puzzled by the new concerns about this old economic phenomenon, and blame non-Belgian bond and currency traders.

"Of course the government debt is very large," said Mr Lieven Noppe of Kredietbank yesterday, "but it's been that way for almost 10 years and despite that the franc has managed to become a strong currency and interest rate differentials [with Germany] have narrowed."

Yesterday, Belgian analysts and the central bank seemed confident that the attack had been seen off, with the franc returning to near-parity with the D-Mark. But the Belgian government's policy of linking the franc to the D-Mark has been sorely tested.

Mr Alfons Verplaetse, the central bank governor, said last week that the bank would be prepared to allow the franc to fall as much as 0.30 per cent below its ERM central rate again the D-Mark.

Mr Verplaetse underlined on Wednesday that he would take all possible measures to support the franc. Aided by this pledge and the interest rate increase, the currency steadied yesterday. But investors' confidence about the Belgian franc's stability may take longer to return.

German steelworkers protest at further job losses

By Quentin Peel in Bonn

STEELWORKERS in east and west Germany took to the streets in protest yesterday, as details of further job losses emerged from the country's leading steelmakers.

Hoesch Stahl confirmed that one entire steel plant would have to be closed down, with a loss of between 2,000 and 3,000 jobs, in order to reduce its monthly capacity from 700,000 to between 550,000 and 570,000 tonnes.

A company spokesman said a decision would be taken by the joint board of the newly merged Krupp-Hoesch combine, before the end of February, whether the closure would be at Dortmund, the company's headquarters, or at its sister plant in Duisburg-Rheinhausen, in the heart of the Ruhr industrial area.

Some 1,500 workers yesterday demonstrated outside the gates of the Krupp steel plant at Hagen, near Dortmund, over the planned job cuts – which were specifically excluded last year when Krupp launched its merger bid with Hoesch.

In eastern Bavaria, some 2,000 steel workers occupied the railway station at Sulzbach-Rosenberg, protesting at the loss of jobs at the ailing Maxhütte steel plant.

In east Germany, some 3,500 workers at the Eko steel plant at Eisenhüttenstadt are planning protests for today, while workers in the Saarland have announced a mass demonstration for March 10.

The announcement by Hoesch that it will close a plant is the most dramatic development in the German steel industry to date, although IG Metall, the steel and engineering workers' union, estimates that 25,000 in the industry will be threatened by capacity cuts.

Mr Viktor Braun, company spokesman, said that the merger with Krupp had not been supposed to cause any job losses, but "the situation in the market has worsened dramatically since then. It is now worse than at any time since the 1970s."

Preussag AG – the steel, trading, energy and metals group – said yesterday that it would not be able to reduce any capacity, under the EC steel plan proposed in Brussels this week, without causing a reduction in company earnings.

Mr Ernst Pieper, chief executive, said the EC plan would not impose output quotas for individual companies, but leave it to industry to divide the cuts. He said steel production had fallen by 20 per cent in the first quarter of the 1992-93 financial year.

Community CO_2 emissions likely to exceed target

By Bronwen Maddox, Environment Correspondent

THE EC is likely to miss international targets for stabilising carbon dioxide emissions by a margin of at least 4 per cent, according to member countries' national plans submitted to the Commission.

A report circulating in the Commission shows the 12 EC members likely to emit at least 2.878bn tonnes of CO_2 in the year 2000, compared to about 2.775bn tonnes in 1990. The EC is committed to stabilise CO_2 emissions, believed to be implicated in global warming, at 1990 levels by 2000.

The Commission has been urging member countries to produce projections of their emissions. According to the briefing paper, distributed in the environment directorate, some have given targets for curbing emissions while others have used forecasts based on national energy plans.

Commission officials were not available for comment last night on how the gap between projections and international commitments would be met.

According to the paper, Germany, the largest emitter, has the most ambitious plan – to cut emissions in 2005 to 75 per cent of 1987 levels. Denmark is aiming to cut 20 per cent of 1988 emissions by 2005, and the Netherlands and Belgium to cut about 5 per cent of 1990 levels by 2000. The UK, the second largest emitter, is aiming to stabilise levels, as are France and Italy.

However, Greece and Spain expect a rise of at least 25 per cent this decade. Portugal has the highest projected rises, of 29 and 39 per cent, depending on economic growth.

Mr Andrew Warren, director of the Association for the Conservation of Energy, said yesterday: "These figures show that more has to be done even if countries stick to their national targets – and we can all be sceptical about whether UK will manage to stabilise emissions and Germany manage to come down."

The difference in projections between richer and poorer EC members has caused tension over proposals for carbon and energy taxes, which poorer countries feel should be aimed at the heaviest polluters.

Pensions dilemma gives politicians grey hairs

Alice Rawsthorn on ageing France's growing gap between contributions and benefits

ASSEMBLÉE NATIONALE
Elections '93

MRS Marie-Christine Revel works at a Paris stationery shop which is closing. A widow in her late 50s, Mrs Revel has little hope of finding another job. "I'm not worried," she said. "Whatever happens I'll have my pension."

France's pension system is a point of national pride. People who retire after 60 having worked for 37.5 years are entitled to a state pension equivalent to 50 per cent of their average salary in their 10 highest-earning years, up to a maximum of FFr149,820 (£18,475) a year. This means that most of France's 7.8m pensioners live in comparative comfort, a "fundamental right" that President François Mitterrand has vowed to protect.

The system, introduced after the Second World War, is run by the state, which pays for pensions from the money received from those in work.

But the French population is ageing. There are fewer working people supporting more pensioners. The problem is getting worse. And it is one of the trickiest political issues in the electoral campaign.

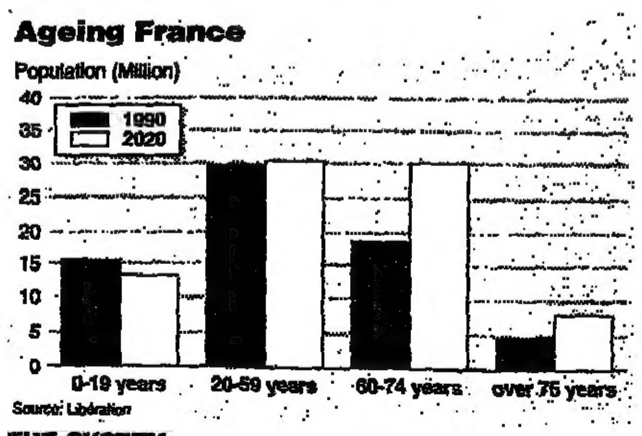
So far a succession of French governments has chosen to ignore the pension problem. They have been deterred by the complexity of the issue and by the opposition of the trade unions and the president.

The present Socialist administration has continued the tradition. An attempt last year by Mr Pierre Bérégovoy, the prime minister, to supplement the state system with a private scheme was stymied by the unions. Mr Bérégovoy was forced to compromise with modest proposals for personal equity plans.

But the strains on the system are now so intense that the next government may not be able to delay. The system already operates at an annual deficit of FFr20bn with a ratio of 1.8 employees to each pensioner. By the year 2010, there will be just 1.4 employees for every pensioner. This means the deficit will widen unless pensions are cut or employees' contributions increase.

So far the treatment of the pension issue in the election campaign has shown all the danger signs of fudge and compromise that have impeded past attempts at reform. Mr Bérégovoy last month tried again to focus the Socialists' attention on the issue by trumpeting new proposals for reform.

Ageing France



Source: Libération

THE SYSTEM:

EMPLOYEES:	PENSIONERS:
14m contributors providing FFr268.3bn a year (contribution of 16.35% of up to an annual maximum of FFr149,820 – 9.8% from the employer and 6.55% from the employee)	7.8m pensioners receiving FFr282.7bn a year (with 50% of average salary in 10 top earning years to a maximum of FFr149,820 if at least 60 years old, having worked for 37.5 years)

Source: L'Express

The prime minister watered down his earlier ideas about introducing private pensions into a less ambitious plan for a fund (financed by the FFr100m proceeds of the privatisation programme) to plug the pension deficit. But his tentative suggestion that the Socialists might consider encouraging people to work for 40, rather than 37.5 years, met with an immediate rebuff from President Mitterrand. He saw it as a threat to an earlier Socialist reform that reduced the retirement age to 60.

Mr Bérégovoy hastily denied that he had any intention of raising the retirement age. But the row over the Socialists' pension policy has rumbled on. The prime minister will begin to try to thrash out a final policy with the unions and employers on Monday. He is also expected to revive the tricky question of the minimum working period.

The conservative coalition of the RPR and UDF, the firm favourite to win the election, has revelled in Mr Bérégovoy's embarrassment. The right has at least hammered out a joint pension policy, but in many respects its plans are as vague as those of the Socialists.

The conservatives have fought shy of raising the retirement age which, according to Mr Jacques Chirac, head of the RPR, would be "psychologically impossible". But they do plan to offer incentives for people to work longer by offering full pensions to those working for 40 years, with reduced payments for 37.5 years.

They have also revived Mr Bérégovoy's old ideas for private pension funds, which would be welcomed by the French financial community as a needed source of new investment for the stock market.

But this would involve persuading the French electorate to invest in their own pensions as well as funding the current state system. Mr Edouard Balladur, tipped as a future conservative prime minister, has suggested softening the blow with tax cuts. "Let's allow people to choose between spending and saving," he said.

But the RPR and UDF have yet to spell out how they plan to structure their private pension proposals. All they have said is that they will commission a study into the issue "as soon as possible". The French voters have heard that before. There have, after all, already been five official studies into France's pension problem since 1985.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd. 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

NEWS: EUROPE

EBRD calls for scrapping of the rouble currency zone

By Peter Norman, Economics Editor

THE European Bank for Reconstruction and Development yesterday called on the former Soviet republics to abandon the rouble currency zone.

Introducing the bank's first annual economic review, Mr Jacques Attali, EBRD president, said establishing separate national currencies or smaller currency zones could improve the prospects for production and trade among the republics.

The bank, set up two years ago to help former communist states develop into democratic and market-oriented states,said the rouble zone was already crumbling. Ukraine and the Baltic states have left the zone, while Belarus and Azerbaijan have issued coupons for most domestic cash transactions.

The review argued strongly that the remaining members should not try to keep the zone together.

The EBRD said the rouble zone had been undermined by inadequate control of credit and cash creation which had brought its members to the brink of hyperinflation. The absence of co-operation between members of the zone had also generated "enormous pressure to restrict exports and capital outflows, leading to near anarchy in trading arrangements."

By contrast, the introduction of separate national currencies could improve the prospects of production and trade. The EBRD suggested that some republics, once outside the zone, would opt for more prudent fiscal and monetary policies.

The EBRD's call reflects deep concern at the bank about the deterioration of economic conditions in Russia and other republics. It estimates that real gross domestic product declined by about 20 per cent in Russia last year while inflation averaged 1,450 per cent. Elsewhere, output declined by between 14 per cent (in Uzbekistan and Kazakhstan) and 40 per cent (in Armenia), with inflation ranging between 700 per cent in Latvia and Uzbekistan and 1,600 per cent in the Ukraine.

The bank forecast that output in the republics would decline further this year – although possibly at a slower rate – with the disintegration of old economic links continuing to harm performance.

The bank is more upbeat about conditions in eastern and central Europe. Output in the region declined last year by about 5 per cent with inflation averaging 60 per cent.

The EBRD said the countries of central Europe "seem poised for moderate economic growth in 1993" and singled out Hungary and Poland as likely to experience increases in gross domestic product.

Mr Attali said exports to the European Community from Hungary, Poland and the Czech republic and Slovakia were rising strongly. In the final quarter of last year, industrial production in Poland was 3 per cent higher than in the previous three months and up 1.7 per cent and 1 per cent in Hungary and the former Czechoslovakia.

He called for more open trade policies and lower interest rates in western Europe to help eastern and central Europe overcome their economic problems.

Amato sets central bank free

By Robert Graham in Rome

THE final piece of legislation designed to make the Bank of Italy an independent central bank has been approved by the Amato government. The move will end the treasury's ability to use the Bank of Italy to fund the budget deficit.

The legislation also allows the central bank to decide the obligatory reserve requirements of the banking system.

The treasury's account with the Bank of Italy was intended to finance day-to-day public spending needs. But as Italy's public sector deficit grew to more than 10 per cent of GDP, the facility was increasingly abused as a form of permanent short-term finance.

The treasury still owed L80,780bn (£36bn) to the bank at the end of 1992. This debt will now be converted into state paper and handed over to the Bank of Italy. The Treasury will pay 1 per cent interest.

Yeltsin takes firm line in Moscow power struggle

By Leyla Boulton and Dmitry Volkov in Moscow

RUSSIAN President Boris Yeltsin last night met his arch rival, Mr Ruslan Khasbulatov, chairman of the Russian parliament, in the first round of bargaining towards a truce in their power struggle.

Mr Yeltsin suggested that he would press on with preparations for a referendum on whether the president or parliament rules the country, just in case the parliamentary speaker failed to keep his side of any bargain.

The stand-off over the referendum, which is opposed by Mr Khasbalatov, will continue during two further meetings next week.

Mr Yeltsin may drop the referendum proposal if Mr Khasbulatov agrees to stop trying to cut back Mr Yeltsin's powers until they are defined by a new constitution.

"There are two options, either a referendum or a new agreement between (the executive and the legislature) with strict guarantees," he told a cabinet meeting. "To drop one or the other would be a big political mistake."

While they met, a Mr Vladimir Shumeiko, the first deputy prime minister, called for a "moratorium on inflationary actions" by the government, parliament and central bank. The cabinet yesterday adopted an anti-inflationary package, vowing to restrict money supply growth to 10 per cent a month and inflation to 400 per cent a year.

He did not say whether it had the support of the central bank, which has presided over very fast money supply growth over the past year.

Although Mr Yeltsin cited the ailing economy as the best reason for a deal with Mr Khasbulatov, he has been driven into a corner over the poll by both the parliament and the autonomous republics within the Russian Federation.

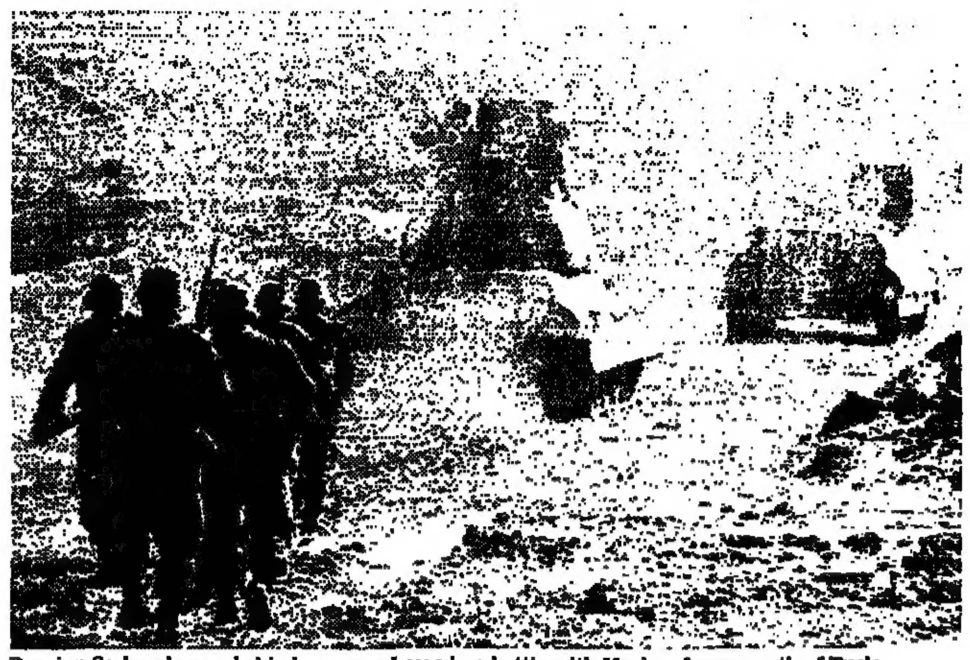
For a start, he cannot guarantee that a referendum would ask the question he wants – do you support the president or the parliament? This is because a compromise at the Congress of People's Deputies last December did not specify what the poll would be about, and allowed both parliament and president to submit alternative lists of questions to the electorate.

Parliament's constitutional committee has come up with a list of 11 obscure questions on the details of a new constitution, while Mr Khasbulatov has also proposed a 12th question on whether the electorate wants fresh presidential and parliamentary elections.

A poll could also undermine the unity of the Russian Federation if leaders of Tatarstan, Yakutia, and other semi-independent republics go through with their threat to boycott the referendum. Some observers fear this could accelerate a break-up of the federation.

US muscle for the mediators

American backing is a shot in the arm for the Vance-Owen peace process, writes Robert Mauthner



Bosnian Serbs advance behind armoured cars in a battle with Moslem forces north of Tuzla

THE US endorsement of a negotiated rather than a military solution in Bosnia might be seen by some as too timid an approach, but it has been greeted with relief in the United Nations and by the international mediators.

Some of President Bill Clinton's election campaign ideas on the Bosnian crisis, such as air strikes and the lifting of the arms embargo to help the Moslems, have always been considered by the international mediators, Mr Cyrus Vance and Lord Owen, as likely to exacerbate the conflict rather than end it.

The emphasis placed by Mr Warren Christopher, US secretary of state, on co-operation with Washington's traditional allies and Russia in the search for a peace settlement, is seen as putting new life into the stalled international negotiations. The US may continue to have doubts about the mediators' plan for dividing Bosnia into 10 semi-autonomous provinces, but it has clearly expressed its support for the Vance-Owen "peace process".

Full US participation in the process – through a competent and respected envoy such as Mr Reginald Bartholomew and, not least, Mr Clinton's promise that the US would join international measures to implement and enforce an agreement endorsed by all the parties – provides the negotiators with the kind of muscle they had conspicuously lacked.

Before an agreement can be enforced, however, it has to be reached. The US administration, which has emphasised that it will not impose an agreement on the warring parties, may have to shed more illusions when it comes face to face with their slippery representatives.

The reason why Mr Vance and Lord Owen wanted the UN security council to "impose" a solution was because all their immense efforts to reach a diplomatic settlement in Geneva had run into the sand. They felt that only a united security council, with the full backing of the US and Russia in particular, would have sufficient clout to force the warring parties to sign on the dotted line.

Such a procedure would not necessarily have entailed the use of force, but it would probably have involved the threat of force.

Mr Bartholomew will find that the US will have to indulge in the kind of arm-twisting undertaken by the mediators when they invited Mr Slobodan Milosevic, the Serbian president, to Geneva in January. The strong-arm tactics employed then by Mr Milosevic, to "persuade" Mr Radovan Karadzic, the leader of the Bosnian Serbs, to accept the mediators' constitutional principles for Bosnia, may well have to be resorted to again.

If Mr Bartholomew's first stop since his appointment is Moscow, that is precisely because the US administration is fully aware that Russian, combined with Serbian, pressure could again shift Mr Karadzic from his entrenched positions.

What is less clear is how much pressure the US is prepared to put on the Bosnian Moslems, singled out by Mr Vance and Lord Owen as the chief obstacle to progress during the New York round of negotiations, but whose interests the US has vowed to defend.

That special concern for the Bosnian Moslems is understandable, given the suffering they have endured at the hands of the Bosnian Serbs. But, from a negotiating point of view, the lack of the same degree of impartiality as Mr Vance and Lord Owen have shown throughout the long weeks of haggling between the warring parties, may put the US representative at a disadvantage as a mediator and could even undermine the whole process.

The US administration has also made much of the fact that it is not producing its own map for the future ethnic division of Bosnia, mainly because it considers the Vance-Owen map as partially "rewarding" the Bosnian Serbs for their policy of ethnic cleansing and because it does not believe that it can be effectively implemented.

Since, however, the main dispute in the negotiations is about territory, the US, too, will have to think in terms of maps sooner or later. The assumption at the moment is that it will take the Vance-Owen map, which has already been amended to take into account some of the Moslem demands, as the basis for further negotiations.

Any attempt to abandon entirely the concept of a state divided into semi-autonomous regions would be unacceptable to the Serbs, who have been demanding an even greater degree of decentralisation, which would give them virtual independence.

For a Bosnia peace settlement now to be reached, the three mediators will have to maintain a united front and avoid giving the impression that they favour one or the other party.

Leaders of Bosnia's three ethnic groups yesterday welcomed direct US involvement in the peace process, writes Laura Silber in Belgrade. The move was greeted too by Britain and France, both with troops in Bosnia delivering humanitarian aid, and the European Community, which has been trying to broker peace agreements. "It gives hope, not a great hope, but hope that a solution can be found," Commission President Jacques Delors said. Germany said the US six-point plan would boost prospects for an end to the bloodshed.

Nato Secretary-General Manfred Wörner also welcomed the US commitment to "engage actively and directly in the efforts to reach a just... resolution to the conflict."

Indian rupee plunges amid talk of reform

By Stefan Wagstyl in New Delhi and R C Murthy in Bombay

THE Indian rupee yesterday fell to an all-time low on the foreign exchange markets amid growing speculation that the government will announce this month further liberalisation of the currency.

Bankers believe Mr Manmohan Singh, finance minister, will publish sweeping new measures in his budget speech, due to be presented to parliament on February 27.

The Reserve Bank of India, the central bank, has done nothing to curb speculation, which has grown in the last 10 days. Mr R Janakiraman, deputy governor, yesterday declined to comment on the rupee's value.

However, dealers judged as significant the entry into the foreign exchange markets of state-owned oil companies, which had obtained foreign currency at preferential rates directly from the reserve bank.

The Indian currency has fallen 6 per cent against the US dollar this month and it closed yesterday in Bombay at Rs33.44 to the dollar, its lowest ever.

Mr S Ananthakrishnan, executive director of the foreign exchange dealers' association of India, said exporters had pulled out of the market in anticipation of being able to change their foreign currency at better rates in future, while importers were rushing to cover their requirements. The rupee was falling so rapidly the market was "illiquid", said Mr Ananthakrishnan.

The rupee exchange rate was fixed until 1991 when the government of Mr P V Narasimha Rao, prime minister, introduced partial flotation in wide-ranging economic reforms. Exporters and others bringing foreign exchange into the country were permitted to exchange 60 per cent of their remittances at free market rates and the remaining 40 per cent at a fixed (low) rate of Rs26.20 to the dollar.

Bankers in Bombay believe the government could now either abolish the fixed rate altogether or cut the 40 per cent requirement to 20 per cent or so. This would act as an extra incentive to exports, which the government would like to boost so as to aid economic growth.

The problem is that, until now, the foreign currency bought at cheap rates by the reserve bank has been used by state-owned companies for the purchase of key imports, including arms and fertilisers, as well as oil.

This has enabled the government to subsidise energy and fertiliser prices. A move to free the rupee further would therefore either force the government to cut subsidies or try to raise other funds from its meagre resources.

Finance ministry officials decline to comment on the budget's contents, but it is widely expected in Delhi that there will be cuts in subsidies. The budget is also expected to contain substantial reductions in import tariffs, with the maximum normal rate of import duty coming down from 110 per cent, perhaps to 70 per cent.

Delhi bans rally by BJP to avoid clashes

By Stefan Wagstyl

THE Indian government, which is struggling to restore political calm after the recent inter-religious violence, yesterday banned a planned mass rally by the right-wing Hindu Bharatiya Janata Party.

The BJP, whose supporters sparked the unrest after they stormed the Ayodhya mosque, replied by pledging to go ahead with the gathering on February 25. The party claims the rally could attract 1m people.

The government's decision and the BJP's defiant response could raise political tensions and undermine ministers' efforts to get over the Ayodhya crisis.

Mr S B Chavan, home minister, said the BJP's demand for a rally was "dangerous" and "provocative" at a time of inter-religious tensions. The party's failure to prevent the destruction of the Ayodhya mosque "inspired little confidence that the rally would be peaceful". The BJP retorted by condemning the government's "fascist tendencies". It said party leaders would meet today to plan ways to continue with the rally. Party leaders may go on hunger strike to gather public sympathy.

Later yesterday Mr Chavan extended the ban to all political rallies in the capital for a few months.

The BJP's aim is to force the government to hold elections in the four northern states where BJP governments were sacked, after the mosque was stormed on December 6, and central rule was imposed.

Malaysian sultans agree curb on rights

MALAYSIA'S hereditary sultans yesterday agreed to constitutional amendments that will sharply curtail their legal immunity, AP reports from Kuala Lumpur.

Their decision ended a month-long confrontation and helped avert a potential constitutional crisis, the deputy prime minister, Mr Ghafar Baba, announced.

The deputy prime minister said that the rulers, who wield limited constitutional powers, reversed an earlier rejection of the amendments and accepted the legislation with some modifications.

Government officials said their acceptance means in effect that they could now be prosecuted in court for assault, not paying debts and other offences.

The dispute between the government and the rulers had prompted a daily barrage of commentary and articles in Malaysian newspapers.

Some of the articles revealed publicly for the first time the peccadillos of the royal households.

The government also retaliated by systematically stripping members of the royal families of privileges they enjoyed but which were not specifically provided for in state legislation.

Uncertainty about the duration and political ramifications of the conflict had dampened the sentiments of domestic investors in recent weeks, keeping turnover at the Kuala Lumpur Stock Exchange relatively subdued.

American Palestinian released by Israel

By Hugh Carnegy in Jerusalem

ISRAEL yesterday released without charge an American Palestinian after complaints from Washington over his arrest with two other US citizens, whom the authorities originally accused of being agents of the Hamas Islamic fundamentalist movement in the occupied territories.

Mr Mohamed Hajjaj, a US citizen resident in the West Bank, was set free more than two weeks after he was detained, as police decided there was no evidence against him to back an indictment.

The US twice protested to the Israeli authorities over the treatment of Mr Hajjaj and two other US citizens from Chicago, Mr Mohamed Salah and Mr Mohamed Jarad. They were arrested amid allegations by Israel that much of the organisation of Hamas had been switched from the West Bank and Gaza Strip to the US. The allegations were made as Israel faced widespread international condemnation over its expulsion of 400 alleged Hamas activists to Lebanon.

The US was concerned that the three men had been publicly accused by Israel of involvement in Hamas, including ferrying funds to its activists and helping it reorganise following the deportations, without any formal charges being laid against them. It also complained over the conditions of their detention. Mr Salah and Mr Jarad are still under arrest but have yet to be charged.

● Palestinians reported yesterday that Israeli soldiers destroyed 12 houses with anti-tank missiles in the Gaza Strip, the latest in a string of similar incidents where troops have attacked houses of suspected gunmen after evacuating their inhabitants.

Meanwhile, nine Palestinians were wounded, including five children under 15 years of age, in further violence which claimed the lives of two Palestinians and one Israeli on Tuesday and Wednesday.

President François Mitterrand of France with the Cambodian head of state, Prince Norodom Sihanouk, in Phnom Penh yesterday. Mr Mitterrand was the first French leader to visit France's former colony since Charles de Gaulle came in 1966, writes Victor Mallet in Phnom Penh. Mr Mitterrand appealed to Cambodia's rival political factions to abide by a peace agreement signed in Paris in 1991 and warned them not to disrupt or challenge the results of the UN-sponsored elections in May. The peace accords have been undermined by continued fighting between Khmer Rouge guerrillas and the Vietnamese-installed government, and by the refusal of the Khmer Rouge to participate in the elections or allow UN forces into its territory.

China debates how to control boom

Beijing sees high growth rates and investment as mixed blessings, writes Tony Walker

CHINA'S announcement this week that it was cracking down on the spread of economic development zones is perhaps the clearest sign yet that the leadership has resolved to restrain some of the country's wilder entrepreneurial impulses.

But judging by the continuing debate in the Chinese press about the dangers of economic overheating – scarcely a day passes without reference to the problem – the leadership is far from a consensus on measures to cope with China's booming economy, which registered double-digit growth last year.

Discussions on the subject among China's leaders appear to have been lively, with reformists such as Zhu Rongji, the vice-premier in charge of the economy, being accused by conservatives of possessing of a "Great Leap Forward mentality".

This refers to China's disastrous attempt in the late 1950s to modernise its economy overnight. In a speech reported this week, Zhu answered critics – and at same time sought to reassure foreign investors who remain the key to China's modernisation drive – by saying that the government was not about to change course.

Among conservatives such as Li Peng, the prime minister, there is a feeling, according to western economists, that the Chinese economy may have moved beyond Beijing's ability to control it, without drastic measures that may themselves bring chaos.

The growing independence of powerful economic regions, such as Guangdong province in the south, is not the least of the constraints on the central government's ability to curb activity.

The government's decision to freeze economic development zones, which enjoy special privileges such as tax breaks, came in response to growing criticism that it had lost control of licensing arrangements; and furthermore that thousands of hectares of invaluable agricultural land were being commandeered by those involved.

According to the English-language Business Weekly these zones had grown from 117 officially approved at the end of 1991 to some 2,000 – and possibly many more – by the end of 1992. "The State Council (cabinet) has announced it will recommend imposing tighter controls over new economic development zones in order to curb what has become a blind capital construction craze, " the paper said.

Burgeoning demand for building materials prompted a surge in prices last year. Steel prices rose by some 15 per cent and cement by 14 per cent, fuelled by the nationwide construction boom that saw imports of iron and steel rise to 6m tonnes – double the figure for 1991.

Debate within the leadership about the mixed blessings of high growth rates is almost certainly being sharpened by preparations for the forthcoming National People's Congress, or parliamentary session, due in March, at which economic targets will be unveiled for the coming year; not that planned growth targets have counted for much in the past year or so. China's real GNP grew by about 12 per cent in 1992, exceeding both the planned 6 per cent and the 9 per cent average of the past 13 years.

Industrial output grew by nearly 20 per cent. Chinese leaders, including both the cautious Li and Zhu, the reformer, have been talking of the need for "macro" steps to cool the economy, but neither has been very specific about measures that might be adopted.

Towards the end of last year, it seemed that China was heading towards more severe credit curbs – a first round of restrictions were issued last July – but more recent signals from China's central bank governor indicated that Beijing was not planning to embark on a tight monetary policy, for the time being.

"The projected bank loans for this year are more than those of last year, so by no means will we implement a tight monetary policy," said Li Baoyuan, head of the People's Bank.

Li added that credit growth planned for this year was "proper and can back the economy to continue developing in a rapid and sound manner".

That may be so, but figures for 1992 reveal the real dimensions of the challenge facing the central authorities in their efforts to pace the economy in the face of an astonishing surge in new investment.

Fixed asset investment grew by about 30 per cent, bank lending increased by around double the planned figure, money in circulation doubled, and the broader measure of money supply (M2) charged ahead by 28 per cent. Infrastructure deficiencies in the power and transport sector may in the end prove the most effective break on frenzied development.

In the meantime, western economists are fairly sanguine about China's ability to cope in the short-term with its extraordinary growth cycle while resisting a resurgence of inflation.

The national living costs price index rose a relatively modest 6. 2 per cent last year, although the rate was much higher, perhaps around 15 per cent, in the larger coastal cities such as Guangzhou, Tianjin and Shanghai, which have been the main centres of economic activity.

However, "they are in waters no-one has ever swum in before", said one economist. "The International Monetary Fund doesn't know what China should do. China has gone further in reforming a centrally planned economy than anyone has before, and this has taken enormous economic and political courage."

A consultancy which would assist in restructuring and privatising Chinese state-owned industries is under discussion by the International Finance Corporation, the World Bank arm specialising in private sector finance, writes Alexander Nicoll. Sir William Ryrie, the IFC's executive vice-president, said in London yesterday that it had been asked to study the idea by Zhu Rongji, the vice-premier who oversees China's economic reform programme. China's bloated and inefficient state-owned industries are a serious obstacle to its drive for a market economy. The consultancy would examine all issues connected with revitalising the industries, including management, pricing policies and accounting. The IFC is discussing the concept with western accounting and consulting firms.

Hong Kong fears interference by Beijing

By Simon Holberton in Hong Kong

PLANS by the agency of the Chinese government responsible for Hong Kong affairs to participate in a locally based investment company have raised fears in the colony about undue political interference in the operations of Hong Kong's economy and financial markets.

Beijing's Hong Kong and Macao Affairs Office (HKMAO) is the leader of a group of mainland Chinese government bodies which may take up to 40 per cent of the New China Group. The principal activities of this company are stock brokerage, corporate finance and investment in mainland business ventures.

The company was formed late last year by a group of Hong Kong investors led by Mr Tsui Tsin Tong, a businessman with long-standing mainland connections. Other investors include Mr Li Ka Shing, one of the colony's wealthiest men, Mr Cheng Yu Tung, chairman of New World, a property developer, Mr Stanley Ho, Macao's gambling tycoon, and Singapore's Trade Development Board.

Chinese state and provincial companies have had a presence in Hong Kong since the beginning of the 1980s, and their collective investment in the colony is well in excess of US$15bn (£9.9bn), but HKMAO's involvement in New China is the first time an overtly political entity has sought a business presence in Hong Kong.

"I think it is disgraceful," said a Chinese merchant banker. "This is a political body which is responsible for Hong Kong affairs. The current Hong Kong government has always kept out of business, except for regulation. This is a dramatic change in the way things have been done; we feel that we no longer have a level playing field."

HKMAO is directly responsible for the negotiations governing Hong Kong's transfer to China in 1997. Merchant bankers believe that HKMAO may be able, or be seen, to trade on price sensitive information. Merchant bankers have lobbied the Securities and Futures Commission, Hong Kong's financial watchdog, but it appears powerless to do anything.

Australia hears of 1m reasons not to vote Labor

Keating's hawkish campaign takes a knock from latest unemployment figures, writes Emilia Tagaza

WHEN Australians were told by the official statistics bureau yesterday that more than a million of them were unemployed last month, prime minister Paul Keating found it difficult to sustain the hawkish tone with which he launched his election campaign this week.

Seasonally adjusted, the January unemployment rate actually fell to 10.9 per cent from December's 11.3 per cent. It was also the first time it had fallen below 11 per cent since September last year.

However, the shock figure of 1,001,800 blurred the vaguely rosy picture. And it was certainly no plus for Mr Keating in a campaign being run on economic management and employment issues.

It was the highest figure since the great depression of the 1930s, and its bitter aftertaste will linger throughout 1993, when the jobless rate is widely expected to stay in double digits.

The jobs figure started the rollercoaster trail of the ruling Labor party's election campaign. At kick-off on Monday the party rode high on a favourable response to the business incentive package launched by Mr Keating. The vote-buying package would have helped to steal some votes from small and medium businesses who have previously supported the policies of the conservative Liberal-National coalition.

He has dangled a substantial tax cut for companies: from 39 per cent to 33 per cent. He also offered a one-off 10 per cent investment allowance for businesses buying plant and equipment.

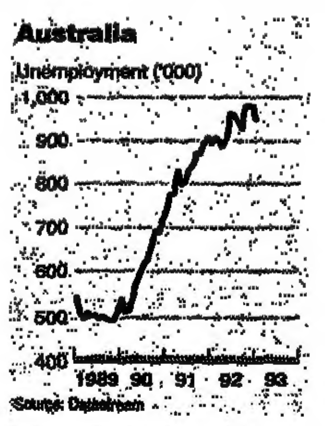
The package would also have locked in some swinging voters among the middle-class baby boomers. It promised a 30 per cent cash rebate for work-related child care plus 150,000 new child-care places.

But the lustre of the package is slowly fading as the costs it would involve emerge. Overall government spending will rise by A$2.2bn (£980m) over three years, further worsening the budget deficit.

Already Mr Keating has acknowledged that the 1992-93 budget deficit will reach A$15.9bn, up from the original estimate of A$13.4bn. Gross domestic product growth expectations for 1992-93 have also been cut from 3 per cent to 2.5 per cent.

The business community has also pointedly claimed that Mr Keating's package missed the important issue of industrial relations. The leading employer groups, the Business Council of Australia, and the Australian Chamber of Commerce and Industry, both said investment stimulation would require not only tax cuts but quick changes to the country's labour relations system.

From the start Labor was on the defensive. When Mr Keating called the surprisingly early election for March 13, the party was still licking its wounds from its defeat in the state election in Western Australia. At the same time the party was embarrassed when a high-ranking federal parliamentary official, who is also a close "mate" of Mr Keating, resigned over a controversial A$65,000 accident compensation payment.



However, Mr Keating is well known for his uncanny ability to turn political adversity into advantage at the most unexpected moment.

The conservative opposition coalition needs only six more seats to win power in its own right, five if the lone sitting independent MP is re-elected. At the moment the 147 seats are divided among Labor (77), conservatives (68), one independent and one vacant but previously occupied by an independent.

Five days into the five-week campaign, the conservatives are hammering the theme "10 years of economic hardship under Labor is enough". Now they say there are a million reasons not to vote Labor.

But the conservative leader, Mr John Hewson, has yet to match Mr Keating's policy promises. Mr Hewson has already said he would not match such an "unfunded" package which left a gaping hole in the budget.

The conservatives are proposing a goods and services tax and cuts to business taxes, such as payroll, wholesale and fuel taxes.

Introduced early last year, they have been well received by business. Even more welcomed is Mr Hewson's industrial relations package, which would reduce union power by allowing employers and employees to negotiate directly over working conditions.

In an attempt to recover some of the working-class vote, Mr Hewson late last year sweetened his proposals by exempting food from the goods and services tax. He is expected to offer more sweeteners soon.

Campaign scores may change dramatically after an American-style television debate between the two leaders on Sunday. Mr Keating can be expected to unleash the power of his parliamentary debating skills.

A big advantage for Labor is the voters' natural fear of change. In Western Australia's state election last week a discredited Labor state government, widely expected to be humbled, was dealt a muted blow by an electorate uncertain about the conservatives' radical industrial relations and tax policies.

A Sydney futures dealer bids after the release of jobless figures

Regulator broadened agency's enforcement role

Breeden steps down early as SEC chief

By Patrick Harverson in New York

MR Richard Breeden is to step down as chairman of the Securities and Exchange Commission in the next two months, he said yesterday, ending a busy and sometimes controversial three-year reign as the most powerful securities regulator in the US.

Although Mr Breeden is leaving before his term expires in June, his resignation was expected in the wake of the Democratic victory in November's presidential election.

A lawyer with strong ties to the Republican party, he was appointed by President George Bush in 1989. He had previously been part of the White House staff and a key member of the team that arranged the bailout of the collapsed US savings and loan industry.

A new chairman is likely to be appointed by President Bill Clinton in the next few weeks. There is no clear indication from the administration on who will succeed Mr Breeden, but the frontrunners are believed to be Ms Consuela Washington, now securities counsel to the powerful House energy and commerce committee, and Mr James Cheek, a Tennessee securities lawyer who enjoys the backing of Vice-President Al Gore.

Mr Breeden said yesterday there was no particular reason for his early departure. "It was simply time to go," he said.

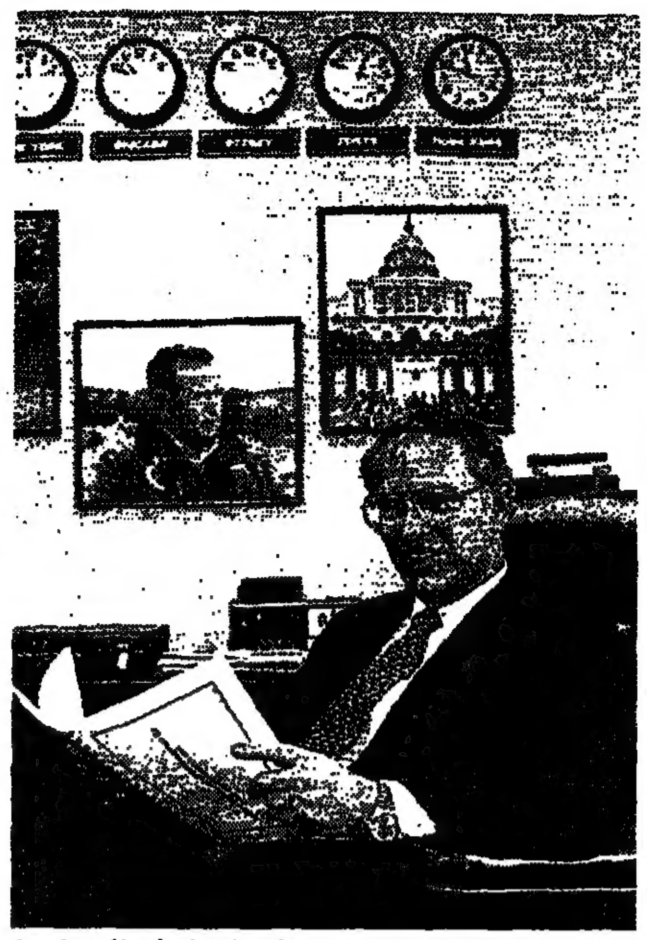
During his tenure as chairman he broadened the agency's enforcement agenda, sought to rid the securities industry of needless regulation and promoted improvements in corporate governance. He also reformed the fast-growing mutual fund industry, eased restrictions on capital-raising by small companies and earned a reputation as a tough enforcer of the rules governing financial markets.

Mr Breeden also launched the Market 2000 study of equities trading, the first big study of US markets in 20 years. It is due out this summer.

Mr Breeden did not escape criticism, particularly over his role in allegedly politicising the normally independent office of SEC chairman. He was attacked for aligning the agency's policy too closely with the White House line, a charge he always denied.

He also clashed on a number of occasions with other regulatory agencies in Washington. The SEC fought with the Commodity Futures Trading Commission over who should regulate stock index futures, and with the Federal Reserve over bank accounting methods.

There were also skirmishes on the world stage, most recently with other members of the International Organisation of Securities Commissions over uniform capital standards for securities firms.



Breeden: 'Simply time to go'

Clinton takes message straight to the people

By Jurek Martin in Washington

IF Mr Bill Clinton wanted to demonstrate that there are more ways of communicating a message than via the Washington press corps, then his first televised presidential "town meeting" in Detroit on Wednesday night was, on balance, a success.

The president made little hard news as such, beyond confirming such known trends in his thinking as the likelihood of higher corporate and personal income taxes for the more profitable and affluent.

Sacrifice, he argued, had to be shared fairly. The fact that he had inherited a federal budget deficit $50bn (£35bn) higher than he had been led to believe meant that sacrifice, in higher taxes and spending cuts, was unavoidable.

But he again displayed his singular talent, much in evidence throughout the election campaign last year and in the economic session at Little Rock in December, for explaining complex policy issues in easily understandable terms.

The best example of this came when he was asked by a teenager suffering from systemic lupus, a chronic ailment, how people with similar conditions could be assured of acquiring the sort of long-term health insurance cover that was being denied her.

Mr Clinton sympathetically answered that the key was the size of the insurance pool. If small, like the 60 or so people in the TV studio, then it only took one or two people with long-term illnesses to bankrupt the pool.

But, if the community pool was big enough, "the risk of your care is spread across large numbers of people and insurance companies make money the way grocery stores do – a little bit of money on a lot of people instead of a lot of money on a few people."

Other presidents have used this folksy approach to good effect – notably Franklin Roosevelt in his radio "fireside chats" of the Depression era and Ronald Reagan in his regular Saturday morning broadcasts, also on radio.

Mr Clinton is continuing the Reagan custom, as did President George Bush, though to much less effect.

Intended to focus mostly on economic and related social policy issues – and involving studio audiences in Detroit, Seattle, Atlanta and Miami – the town meeting covered much other ground, including the admission of homosexuals to the US military and the latest US initiative in Bosnia. However, the only question on the controversy of Mr Clinton's failure to find an attorney-general came from one of the media interlocutors.

The media reviews yesterday morning were mixed-to-favourable. The Washington Post said Mr Clinton had been put on the defensive by sharp general questioning about his breaking of campaign promises ranging from middle-class tax cuts to policy on Haiti.

But the New York Times found that he seemed at ease in the familiar format and successfully got his key messages across. The Wall Street Journal said: "With his strong presence, he appeared to be resuscitating his fortunes after a period of heavy criticism."

The Washington press corps is becoming agitated in that Mr Clinton has yet to give a formal presidential press conference, though his staff insist, with some justification, that there have been plenty of opportunities to question him. It is a fair bet, however, that the town meeting format will be used again and again.

Consumer spending growth rate slows

By Michael Prowse in Washington

THE RATE of growth of US consumer spending slowed last month but remained consistent with a solid economic recovery, figures from the Commerce Department indicated yesterday.

After seasonal adjustment, retail sales grew 0.3 per cent last month and by 6.6 per cent in the year to January.

The increase was led by a 1.1 per cent monthly rise in sales of motor vehicles and accessories. Excluding vehicles, retail sales were up only 0.1 per cent.

However, few analysts expected the pre-Christmas surge in consumer spending to be sustained. Yesterday's figures appeared consistent with projections of real growth of consumer spending at an annual rate of perhaps 2.5 per cent in the current quarter, down from 4.3 per cent in the fourth quarter of last year.

Officials also announced substantial, but largely offsetting, revisions to previous months' figures. December figures were revised down to show an increase of 0.8 per cent over November rather than the 1.2 per cent reported earlier. However, November sales were revised up to show a fall of 0.1 per cent rather than 0.5 per cent.

The net effect was to leave sales in the three months to January 7.2 per cent higher than in the same period last year. The figures do not allow for price inflation of about 3 per cent over the period.

Separate figures yesterday showed a 12,000 decline to 340,000 in claims for state unemployment insurance in the week ending January 30.

Teacher strike may add to Los Angeles school woes

By George Graham in Los Angeles

BESET by violence, low academic achievements and fierce budget cuts, the Los Angeles school system now faces a possible teachers' strike, unless last-minute mediation produces a settlement.

Teachers have voted to strike in two weeks time, after the school board had responded to the worst financial crisis in its history by slashing nearly $200m (£140m) from salaries.

The impending stoppage is one more challenge for the embattled Los Angeles schools. They are called on to provide social services ranging well beyond education, and carry the burden of a place in the front line in the city's racial conflicts. This burden has worsened since six days of rioting last year left 42 people dead and some 700 businesses burned or looted.

These tensions are now high again, as the city prepares for a second trial, in a federal court this time, of the policemen accused of beating the black motorist Mr Rodney King. It was their surprise acquittal, in a state court, which set off the riots. Attention is also focused on the trial of youths accused of having beaten Mr Reginald Denny, a truck driver, during the riots.

The unified school district, spreading far beyond the city of Los Angeles, is one of the largest and most diverse in the US, with many of its 645,000 students living below the poverty line and a high proportion from recent immigrant families whose English is weak.

Politicians from the San Fernando valley, north-west of Los Angeles city, are now backing a plan to break up the school system to create smaller districts more responsive to local needs.

A rival initiative, the Los Angeles Educational Alliance for Restructuring Now, countered this week with a proposal for massive decentralisation of the school district's powers. The Learn proposal would give individual schools control over their own budgets, as well as over the selection of teachers and of teaching methods.

Also, state schools throughout California could be shaken up by a statewide proposition, to be put to a ballot next year, to give parents vouchers that they could use to pay for their children's education in state or private schools of their choice.

Business and unions united against proposal

Cheque tax protest in Brazil

By Christina Lamb in Rio de Janeiro

THE powerful business community and trade unions of São Paulo state, Brazil's industrial hub, yesterday began a campaign against a new tax that is central to the government's fiscal reform.

The government hopes to raise the equivalent of £4.6bn through the controversial 0.25 per cent tax on cheques, recently approved by the House of Representatives and due to be voted on next Thursday by the Senate.

The honeymoon that President Itamar Franco has enjoyed since he took office in December ended yesterday when some 50 leading business and union organisations, with the mayor of São Paulo city, participated in a rally to call for a nationwide protest movement. Demanding that the government sort out its finances and crack down on evasion, rather than increase taxes, the protestors called on the Senate to vote against the cheque tax and warned that it could result in price increases of as much as 50 per cent.

Mr Carlos Eduardo Moreira, head of the São Paulo industries federation, said: "The new tax will not help anybody. It's time we did away with these blood-sucking measures by Brasilia that bring no benefits for society."

The São Paulo rebellion is likely to have a considerable impact on the Senate and comes as a blow for Mr Franco. The new tax is the main plank of government strategy to plug a $13bn hole in the budget this year and is seen as vital for a new Brazilian accord with the International Monetary Fund.

Mr Franco said yesterday: "I respect the right of anyone to demonstrate against anything, including the tax. But I hope these businessmen will also respect the right of society to protest against the high cost of living caused by their outrageous prices."

Brittan brings trade policy charges

By Andrew Hill in Brussels

SIR Leon Brittan, the EC trade commissioner, yesterday opened legal proceedings against three of the Community's most liberal traders – Britain, the Netherlands and Germany – for undermining a common trade policy.

The announcement was condemned by British and German officials in Brussels as "astonishing" and "ridiculous", and attacked as a thinly veiled attempt to push through controversial Commission proposals to accelerate EC anti-dumping procedure.

Sir Leon believes the countries have broken EC law by taking unilateral action to abolish or extend national quotas on goods from "state trading countries" – China, Vietnam and North Korea. Existing quotas expired when the single market began on January 1, and Sir Leon claims member states should have asked for Brussels' permission to extend or abolish them. The products affected include shoes, gloves, toys and crockery.

Formal letters of complaint will now be sent and if the Commission is not satisfied with the replies it could eventually take the countries to the European Court of Justice.

The harmonisation of quotas is linked to anti-dumping proposals which Britain, Germany and the Netherlands claim will give Brussels too much control over the EC's arsenal of trade weapons. The Commission says it cannot separate the quota problem from its proposals on trade weapons, because southern member states such as France will not agree to harmonise or abolish import restrictions unless anti-dumping procedure is speeded.

"If you talk to importers around the Community, they are in complete confusion about who they answer to and what they are meant to do," said Sir Leon's spokesman yesterday. "The risk is that by renationalising quotas they are undermining the single market: one country which might like to maintain limits on imports cannot because another has [unilaterally] opened its borders."

But British diplomats yesterday blamed the Commission for not coming up with an alternative interim strategy. "We think [the Commission] is wrong legally and wrong politically," said one.

Both Britain and the Netherlands have extended last year's quotas until the end of March, while Germany has gone for full liberalisation, abolishing its remaining restrictions. Denmark, Italy and Greece have all sought Commission authorisation for interim measures.

Clinton wants renewed trade 'fast track'

By Nancy Dunne in Washington

PRESIDENT Bill Clinton will ask the US Congress for an extension of the "fast-track" negotiating authority which is vital to completing the Uruguay Round.

The announcement was made by Mr Mickey Kantor, US trade representative, after his first meeting with Sir Leon Brittan, the EC external trade commissioner. Mr Brittan said this would give "immediate life to the Uruguay Round corpse". He said a fine balance must be found in the timing of the extension so there was enough time to complete the negotiations but not so much that momentum was lost.

Mr Kantor said the timing, duration and appropriate conditions for the extension would be determined in meetings with Congress and the private sector. There has been much speculation in Washington that the round must be wrapped up with a one-to-six-month extension to make way for another round to deal with issues such as the environment and competition.

The fast-track authority allows a president to submit a trade agreement, which can not be amended, for an up-or-down vote in Congress. Under the current authority, at least an outline of a completed Uruguay Round deal would have to be sent to Congress by March 2.

Having diplomatically agreed that their first meeting, which lasted for two hours, had been "useful and productive", both officials demanded the absent economic superpower – Japan – play a more active role in completing the round. The implication was that Japan now must agree to an opening of its rice market and make further concessions on cutting or eliminating tariffs.

Both men acknowledged continued differences on a wide range of issues. Sir Leon said the new steel tariffs imposed by the Commerce Department were "altogether unjustified and excessive", and he would bring his complaints of them to the General Agreement on Tariffs and Trade.

He said the US threats to levy sanctions on March 22 in a dispute over government procurement gave the EC leverage to get barriers removed in the US government procurement market.

Black Sea beckons Greek Cypriots

By Kerin Hope, recently in Nicosia

A PLAN for Cyprus to help develop the Krasnodar region of Russia, on the Black Sea, is an unprecedented challenge for the growing number of Greek Cypriot companies working in former Soviet-bloc countries.

A joint Russian-Cypriot development agency should be operating by summer in Krasnodar, capital of a territory with 4.8m people. The area includes Novorossysk, largest Russian port on the Black Sea, and the tourist centre of Sochi.

Mr George Vassiliou, the Cyprus president, who speaks Russian and is backed by the island's strong Communist party, suggested the project to former Soviet President Mikhail Gorbachev more than five years ago.

Mr Vassiliou, once a marketing and management consultant, believes an agreement signed last October with President Boris Yeltsin can provide a secure framework for long-term trade and foreign investment.

Vassiliou: gateway to Russia?

"The most frustrating thing for a foreign businessman in Moscow is the maze of bureaucracy, itself not certain what it can do," he says. "Under this arrangement, Cyprus will support the local government in Krasnodar with approval from the centre. It will be possible to avoid Moscow."

Greek Cypriot consultants will set up a legal framework for foreign investment in Krasnodar, organise training for local officials and make economic and feasibility studies for development projects. The agency will have a branch office in Cyprus, financed by the Cypriot government.

Greek Cypriot companies already have a lot of trading experience in eastern Europe. Since the collapse of the Soviet Union, Greek Cypriot lawyers and accountants have been helping Russian clients set up offshore companies on Cyprus.

Greek Cypriot travel companies are already showing interest in developing tourism in Krasnodar. But Mr Vassiliou's larger purpose is for Cyprus to become a gateway for west European and US investors in south Russia.

Next month, the Cyprus Telecommunications Authority (CYTA), the state telecoms monopoly, will open a satellite phone link with Moscow as the first stage in improving communications with Krasnodar.

Under CYTA's agreement with the Space Research Institute in Moscow and Astra, a state-owned company that has taken over a former military telecommunications satellite, 60 international lines will be added to the Russian network, to be routed through an earth station on Cyprus.

"This may not sound like a big step forward until you consider that the whole of the former Soviet Union may have had fewer than 1,000 international lines – compared with 2,000 on Cyprus," says Mr Adam Kritiotis, CYTA assistant general manager.

Russia's communications ministry has decided Cyprus is to be one of two big "teleports" linking it with the rest of the world. By the time the development agency is set up, Krasnodar will be one of a dozen Russian cities whose international connections pass through the Astra satellite and the Cyprus earth stattion.

In the next three years, CYTA plans to reinforce the satellite link with Russia through a $25m project to lay a submarine cable to Krasnodar across the Black Sea from Bulgaria. The connection with Cyprus would be made through an existing fibre-optic cable network across Bulgaria and a submarine cable from Greece.

Investment pours back into Latin America

It may be a mixed blessing, reports David Dodwell

LATIN AMERICAN countries crippled by the burden of debt repayment throughout the 1980s have seen a reversal in the past two years as private investors have poured funds into the region. From net outflows of more than $13bn (£8.6bn) in 1990, they recorded net inflows of almost $26bn last year.

While Mexico's modest net inflow of $3.8bn in 1990 has soared to $15.3bn, Argentina has seen a net outflow of $4.9bn transformed into an inflow of more than $5bn. Venezuela, which haemorrhaged $4.2bn in 1990, saw net inflows of $344m last year. Even the region's biggest debtor, Brazil, has seen an outflow of $7.4bn in 1990 turn into an inflow of $1.4bn last year.

This striking turnaround, described by World Bank and United Nations economists at this week's conference of the London-based Overseas Development Institute on economic prospects for developing countries, provided an important signpost for the 1990s: it is set to be "the decade of equity investment" in developing countries. Those which hope to improve their plight must capture equity flows – whether in the form of foreign direct investment, bond issues, or portfolio equity investment – or flounder.

While the change of the past two years has helped the liberalising states finance a surge in imports, World Bank officials argue it is a mixed blessing: private investment, particularly portfolio investment, is notoriously volatile. Also, as the countries of the industrial north rise from recession, the present tidal flow of funds could swiftly reverse as US, European or Japanese companies seek finance.

But its potential benefits are great: it brings new technologies, management knowhow, and training for workers, boosts export capacity and provides access to export markets. Portfolio investment can lower the cost local companies face in raising capital.

Whether the improvement of the past two years can be sustained remains uncertain, particularly in Latin America, where economists say the inflows may be a "windfall" consequence of recent economic liberalisation.

According to Mr Zigo Vodusek, economist at the Inter-American Development Bank, they have been critical in enabling countries in the region to pay interest on debts totalling $450bn. As debt service accounts for 30 per cent of export earnings, countries face a balance of payments problem that is likely to grow until exports rally, or imports fall.

Mexico, for example, ran a deficit on visible trade in 1992 of $19bn. Since net investment inflows totalled $23bn last year, breaching such a trade gap was manageable. But even a small decline would create immense balance of payments pressure.

Because traditional sources of finance from aid agencies or commercial banks are expected to stagnate as banks struggle with new capital adequacy rules and aid fatigue deepens among national governments, efforts to stimulate private investment flows are likely to be critical.

According to Mr Kwang Jun, a senior World Bank financial economist, private funds can provide a rich seam for developing countries. Institutional funds available for portfolio investment in the US alone amount to $5,000bn-$6,000bn. At the same time, developing countries have far to go in exploiting stock market funding. Mr Jun notes that developing countries account for 13 per cent of world GNP, but just 6 per cent of world stock market capitalisation.

Foreign direct investment currently accounts for just 2-4 per cent of gross domestic investment in the developing world. But in Malaysia, where foreign investment has been strongly encouraged, the figure is 20 per cent. Mr Jun notes that raising the average to just 10 per cent could mobilise around $50bn a year.

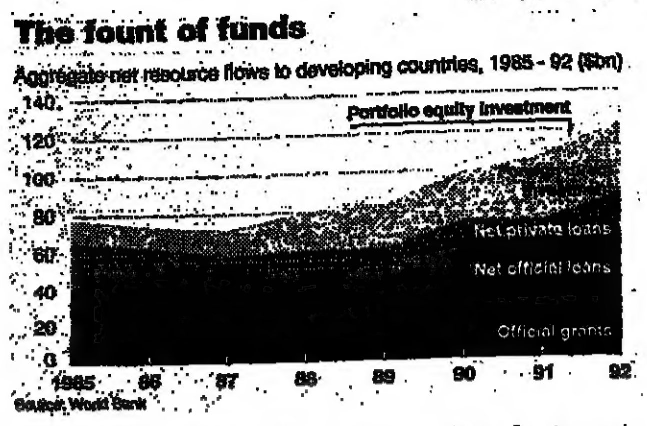
Bonds may provide another rich source of funds. Well below $6bn a year between 1986 and 1990, they soared to $15bn in 1992, according to Mr Cristian Ossa at the UN Department of Economic and Social Development. He predicts bond issues will grow by 10 per cent a year in the near future.

Economists are more confident over Asia's prospects. Most investment flows are now generated within the region, with one-time consumers of investment like Hong Kong, South Korea, Taiwan and Singapore now joining Japan to become important net investors across the region.

Gloom is strongest in sub-Saharan Africa, where aid flows account for 11 per cent of the region's GNP and almost 100 per cent of foreign cash flows. The region's capacity to attract private funds is seen as limited, reinforcing other pessimistic forecasts for prospects in the 1990s.

The fount of funds

Aggregate net resource flows to developing countries, 1985 - 92 ($bn)



Source: World Bank

Central banker warns against fresh rate cut

By Peter Marsh, Economics Staff

MR EDDIE George, deputy governor of the Bank of England, the UK central bank, who steps up to governor in July, yesterday warned against further cuts in interest rates and said inflation was under control.

He also fired a shot in a war of words with the City of London's commercial and financial institutions by criticising "supposed pundits" from the markets who complained that UK monetary policies lacked credibility.

In his first policy address since his promotion last month, Mr George offered "total commitment" to the goal of price stability. He poured scorn on suggestions that the Bank was at odds with government ministers over the correct way to lift the UK from recession.

Mr George also said that a premature move to a single European currency and a single central bank would involve "serious economic risks" ahead of greater convergence of economic conditions across the continent.

Mr George's robust speech in Frankfurt, however, failed to lift the pound, which after recent heavy selling remained weak last night. It also prompted rejoinders from some City commentators who said his comments did little to quell scepticism about how much the Treasury and Downing Street listened to the Bank before setting interest rates.

Last night the pound closed in London against the D-Mark down 1 pfennig at DM2.3525, close to its all-time low. Sterling also lost ground against the dollar, closing down nearly 1 cent at $1.4185, while gilts also finished slightly lower.

Mr George's speech was designed to counter speculation about rifts in policymaking, principally involving Mr John Major, the prime minister, and Mr Norman Lamont, the chancellor of the exchequer.

Many in the markets believe Mr Major wants to cut interest rates quickly to spur demand, with Mr Lamont and the Bank urging caution because of the way this could trigger inflation.

The deputy governor – nicknamed "Hard Eddie" on account of his hawk-like views on inflation – said the Bank and the government were "at one" in seeing "little justification and very little room" for a further easing in interest rates.

Mr George, who takes over from Mr Robin Leigh-Pemberton when his 10-year term ends, added that "there can be no question of benign neglect" in relation to the value of the currency.

Since the pound's departure from the European exchange rate mechanism last September sterling has lost 15 per cent of its value.

The 4-percentage point cut in interest rates since September to 6 per cent was "fully justified" by the need to boost demand while keeping inflation low. The fall in the pound and the looser monetary conditions "need not threaten" the government's target of keeping underlying inflation at 4 per cent or less. He was satisfied that cost pressures facing UK industry were "under control".

Re-affirmed his well-known scepticism about European monetary integration, Mr George said the option of some countries moving faster to a monetary union after the recent ERM tensions would be a dangerous step. It would do little to solve the problems of economic imbalances across Europe linked to German unification.

Mr Peter Spencer, chief economist at Kleinwort Benson, the London investment house, said: "Until it becomes clear that the Bank is winning the arguments [with the government] over interest rates then it is very hard to take his words at face value."

Excerpts from speech below

Maastricht vote prompts battle for MPs' support

By Ivo Dawnay, Political Correspondent

A BATTLE for the hearts and minds of British MPs began in the House of Commons yesterday over the next vote on the Maastricht treaty amid widespread doubt in all parties as to the wisdom of the government's strategy.

As officials in the Foreign Office began to prepare briefing notes on the implications of a government defeat on an opposition amendment calling for the social chapter to be included in British legislation to ratify the treaty, the so-called Euro-sceptics were drafting their own counter propaganda at Westminster.

Several Conservative backbenchers, however, voiced disquiet at the decision to make the vote on Labour's amendment the acid test for the survival of the treaty.

With the outcome on a knife-edge, government loyalists backed the tactic. They argued that Mr Douglas Hurd's uncompromising warning that defeat could kill the treaty will help shore up the Conservatives' narrow 21 vote majority.

But even among these, few believed that the foreign secretary has any chance of achieving the secondary objective of persuading pro-European Labour and Liberal Democrat MPs to break ranks with their colleagues to save the treaty.

Furthermore, doubts were spreading to the Tory backbenches over the government's assertion that approval of the Labour amendment would leave it a stark choice between accepting the social chapter or sinking the treaty.

A number of Tories who disapproved of Lord Tebbit's inflammatory speech on Wednesday, nonetheless, support him in saying the amendment would make treaty ratification more difficult with no mutual obligation on Britain to accept its social protocol.

Sir Nicholas Bonsor, Tory chairman of the defence select committee, said yesterday that he had given an undertaking to ministers that he would not back the social chapter. But he insisted that he was not certain that this would be the inevitable consequence of voting for Labour's amendment.

"I would not vote for something that would enforce the social chapter, but if it does not do that, I remain entirely undecided," he said.

Several Tory MPs also questioned whether the government's early unveiling of one of its most powerful sanctions was a mistake. One even cited Mr Major's claim that he was the greatest Euro-sceptic in his cabinet to suggest that perhaps the government might be unworried by defeat.

"The prime minister has to show his European partners that he has fought as hard as he could for the treaty," he said. "But if in the end it was defeated, Mr Major would still be able to make that claim while having regained a united party."

Labour business managers believe that the government's only hope of victory depends on doing a deal with the Ulster unionists.

Joe Rogaly, Page 12

Coal rebels threaten pit defeat

By David Owen and Michael Smith

PROSPECTIVE TORY rebel MPs yesterday responded to the leaking of a draft policy document on coal by warning the government that it would face defeat if it pressed ahead with the plan in its current form.

Mr Winston Churchill, the Tory MP, said the proposals did not go far enough in saving threatened pits and would prompt a revolt "big enough to defeat the government on the floor of the House."

The warning came after it emerged that the government's draft plan envisaged expanding the market for domestic deep-mined coal by about 12m tonnes a year on average for five years.

The package has been widely interpreted as implying the rescue of only a dozen or so pits – based on the traditional scale equating 1m tonnes of coal to one pit and 1,000 jobs.

But British Coal said yesterday that productivity improvements over the last year had raised the average pit's output to about 1.5m tonnes per year. This rendered the old rule of thumb invalid.

The government draft also came under attack from Mr Richard Caborn, Labour chairman of the trade and industry select committee, whose report on coal yesterday's proposals largely passed over. Mr Caborn said the plans would "do no more than provide a breathing space for a limited number of pits.

"It may offer the government a quick political fix but it would...deny the country a unique opportunity to develop a rational and balanced energy policy."

Later, Mr Tim Eggar, energy minister, promised a government response to "every one" of the committee's recommendations.

Queen to pay tax on income at 40%

By Alison Smith and John Authers

QUEEN Elizabeth II and the Prince of Wales are to pay income tax so far as possible according to normal tax rules, Mr John Major, the prime minister, announced yesterday.

For the first time the sovereign will also be liable for capital gains tax and inheritance tax, though with the important exception that inheritance tax will not apply to the transfer of any assets from the sovereign to his or her successor.

The move, which Mr Major emphasised was at the Queen's initiative, was announced in principle last November after there had been widely-expressed public unease at the cost and behaviour of the royal family.

Lord Airlie, the lord chamberlain, said that the recent emphasis on royal wealth had tended to obscure and distort the Queen's contribution to national life, and that this – not the embarrassing publicity surrounding the Queen's children – had prompted the change.

Commenting on estimates of her private funds ranging from £100m to billions of pounds, he said: "Her majesty has authorised me to say that even the lowest of these estimates is grossly overstated."

The main point to disturb the broad cross-party welcome for the arrangements was the decision on inheritance tax, which was raised by Mr John Smith, the opposition Labour leader. Mr Major insisted that it was needed to protect the independence of the monarchy from the risk of the sovereign's assets being "salami-sliced" through successive generations.

The prospect of a radical shift towards a more limited, continental-style monarchy appeared to have receded, however, as Lord Airlie told a press conference that "these additional costs can be met without compromising the standards and style which are expected of the Queen and of the monarchy as a whole." Tory MPs urged that the change should not amount to a "cut-price" sovereign.

The arrangements are intended to separate the Queen's official income, expenses and assets from those that are personal, on which she will pay income tax at the top rate of 40 per cent from the beginning of April.

Lord Airlie said the royal household was run as effectively as any other business in the UK, and that it "really ran a tight ship". A Buckingham Palace spokesman said that its accounts were subject to "a far tougher audit" from the Treasury than it would be from the National Audit Office.

Taxing times: the Queen, seen at the European Parliament last year, is to pay tax on her personal income from next month. George III paid income tax in 1800 - a year after its introduction.

Latest royal chapter in the long history of income tax

THE QUESTION of whether the monarch should pay income tax has vexed relations between the Crown and the government of the day since the beginning of the century.

A tax on income was first introduced in 1799, as a temporary measure, by William Pitt the Younger, the prime minister, to help meet the enormous cost of the Napoleonic wars.

The monarch then, the intermittently mad George III, paid it from the following year, in line with the introduction of legislation which allowed him to own lands privately rather than in trust for the whole nation.

Income tax was abolished in 1816 but re-introduced in 1842 by the founder of the modern Conservative Party, Sir Robert Peel. The monarch, the young Queen Victoria, was persuaded to pay the tax "voluntarily" which she did throughout her reign.

But when in 1894 the Earl of Rosebery, the prime minister, introduced estate duty, the monarch was exempt.

Capital transfer tax and inheritance tax, which drained the estates of the rest of the British aristocracy, did not apply either.

Queen Victoria's successor, Edward VII, tried hard behind the scenes in 1904 to gain exemption from paying tax on his Civil List payments: those payments made by the government to the monarch.

He failed, but when his son George V succeeded him in 1910 the question was addressed again.

The government then began a process of gradually widening exemption by deciding that the monarch should pay tax only on income from his private estate.

In 1931, George V accepted a large cut in his Civil List in return for winning tax exemption on rental income from the Duchy of Lancaster.

His son, George VI, began to reclaim income tax on private investment income and persuaded the government to start paying for the upkeep of Buckingham Palace.

Under the present Queen, immunity from income tax has been widened further still.

Indonesian steelmaker in talks on Ravenscraig

By Andrew Baxter

THE Indonesian company negotiating to buy plant and equipment from British Steel's closed Ravenscraig steelworks in Lanarkshire, Scotland, was named yesterday as PT Gunawan Dianjaya, a family-run steel producer.

British Steel said in November it was negotiating with an Indonesian company, and confirmed yesterday that it was having serious discussions with Gunawan.

The company had emerged as the most likely buyer from a number of interested parties.

According to the Herald newspaper in Glasgow, a team of experts from Gunawan visited the plant recently and their report is being studied at the company's headquarters in Surabaya, eastern Indonesia.

British Steel stressed yesterday that any agreement could be months away.

The Herald quoted an official of Gunawan saying that Malaysia would be the most likely destination for the steelworks equipment.

Ravenscraig closed last June with the loss of 1,200 jobs and virtually all the equipment is still in place. Theoretically, Gunawan could buy the blast furnaces and coking ovens but its interest is likely to focus on the hot strip mill, commissioned in 1962 and closed early in 1991.

Mr Peter Simon, steel products research manager at London-based Commodities Research Unit, said the mill could be used to roll slabs into strip for the fast-growing steel markets of south-east Asia.

According to the Herald, Gunawan last year installed an 800,000-tonne-a-year plate mill at Surabaya, using equipment bought from Dillinger, Europe's biggest steel plate producer.

Recovery in truck sales appears to slow down

By John Griffiths

THE RECOVERY in UK commercial vehicle sales that began last autumn appears to be running out of steam. On a year-on-year basis, total sales were up only 4.4 per cent in January. This compares with increases of nearly 8 per cent in December and 15.25 per cent in November.

The figures reflect "the continuing serious state of the commercial vehicle industry which has been all-too-tragically demonstrated by events of the past few days," according to Sir Hal Miller, chief executive of the Society of Motor Manufacturers and Traders, in a reference to the collapse of UK truck market leader Leyland DAF.

SMMT statistics show that sales of trucks over 3.5 tonnes were only 0.77 per cent higher last month than in the previous January, while sales of heavy trucks over 15 tonnes were actually some 5.43 per cent lower.

The irony of Leyland Daf's position – in receivership while being the UK market leader – was emphasised by its own 28.23 per cent sales rise in January compared with a year ago, giving it a market share of 25.39 per cent.

Daf's UK receivers warned yesterday they could shut the company down completely should a threatened strike take place today, and the company's rivals were already preparing to capture any vacated sales territory.

Bank official underlines UK 'commitment' to Europe

Excerpts from the first policy speech by Mr Eddie George, currently deputy governor of the Bank of England, and recently named as the next governor

"THE DRAMA over sterling's exit from the European exchange rate mechanism (ERM) left many people with the impression that the UK is still both soft on monetary discipline and lukewarm in its commitment to Europe. I aim to persuade you that this impression is quite wrong on both counts.

"Sterling's ERM suspension was the result of exceptional divergence between the domestic policy needs in Germany and the UK. It had nothing to do with the UK being soft on monetary discipline.

"When the break [with the ERM] came last September people could be forgiven for thinking that it represented a radical change in the objectives of monetary policy.

"In reality, in this respect, the ERM was an important part of the framework of monetary policy. The substance of policy had throughout been, and remained, to achieve and maintain price stability in the medium and longer term.

"I have no sympathy at all for those supposed pundits who continuously complain that policy is obscure or even non-existent and that we are living from hand-to-mouth. And I have no sympathy for those commentators who scrutinise the fine print of every official statement trying to detect the most minute differences of emphasis as between growth and stability from one day to the next.

"I do not know of anyone involved at any level in the process of monetary policy decision-making or its implementation, who does not share the conviction that price stability is a necessary precondition for sustainable growth of output and employment.

"In fact, since we left the ERM, the aim of monetary policy has never in my recollection been more clearly or precisely stated in the UK.

"The aim is, in the chancellor's words, for 'a rate of inflation in the long term of 2 per cent or less' and, for the remainder of the present parliament, 'to keep underlying inflation within a range of 1-4 per cent', and 'to be in the lower part of that range by the end of the parliament'.

"Having a clear objective is not in itself enough, though it is not a bad starting point. Confidence must be earned through deeds rather than words, and I recognise that this will take time.

"In commenting on my own appointment as governor, the chancellor stated that the new governor's central responsibility would be 'to support the government in its determination to bring a lasting reduction in the rate of inflation, the only sound basis on which sustainable growth and secure jobs can be built'. We take both these responsibilities extremely seriously within the Bank.

"Recent progress [in UK inflation] is especially encouraging in that it reflects a very considerable improvement in domestic cost performance.

"Pay settlements and average earnings are running at their lowest rates for some 25 years; and with productivity – especially manufacturing productivity – improving over the past year faster than in earlier recessions, unit labour costs, for so long the Achilles heel of the British economy, have scarcely risen at all in manufacturing in recent months. Recent cuts in interest rates have been justified in terms of the Government's immediate and longer-term objectives for inflation.

"We took [sterling's recent depreciation] fully into account in reaching our judgment about the appropriate policy stance.

"Depreciation, even if it proves to be temporary, is itself a source of potential inflationary pressure, so that there can be no question of benign neglect in relation to the exchange rate.

"But it is not the sole influence on inflation, and it need not threaten the target for inflation, so long as domestic costs remain firmly under control – as, as I have explained, they currently are. And it may well be that sterling's recent fall will tend to reverse itself as cyclical developments narrow the interest rate differential between the UK and its Continental partners.

"In this connection – on the basis of all the information currently available to us – the government and the Bank are at one in seeing little justification and very little room, for further adjustment in our own stance.

"The turbulence within the ERM over the past six months or so points up the real dangers of moving ahead too quickly to a harder ERM, and beyond that, to exchange rate fixity before adequate convergence has been achieved.

"Some people have drawn the opposite lesson. They have argued on the contrary that the recent problems within the ERM should be resolved by pressing on even faster to a single currency, which would, in particular, remove the possibility of disruptive speculation.

"I find this view less than persuasive. The essence of the tensions of the last six months has been the divergent domestic policy needs between member countries. That problem has been real. It would not simply disappear with the disappearance of national currencies.

"We remain concerned that premature steps to monetary union would involve serious economic risks. It is unlikely that sterling will rejoin the ERM in the short-term until closer and more durable convergence between the domestic policy needs in Germany and the United Kingdom has been re-established."

Britain in brief

Machinery investment increases

Capital spending by manufacturers rallied in the second half of last year, according to government figures that will increase confidence about growth prospects.

Investment in machinery, which accounts for about four fifths of all capital spending in the sector, held up particularly well. It showed a small increase in the second half of last year, compared with the first half and the final six months of 1991.

The provisional seasonally-adjusted figures from the Central Statistical Office underline cautious optimism that the UK may be poised for recovery. Manufacturing accounts for just under a quarter of the economy.

CBI seeks tax concessions

The Confederation of British Industry called for higher first-year capital allowances and more generous corporation tax rules for smaller businesses, as part of a 10-point Budget submission.

The programme would cost between £500m and £1bn in a full financial year, but Mr Howard Davies, CBI director-general, argued that the boost to the small companies sector would lead to higher tax revenues in the longer term.

Fewer poll tax summonses

The number of summonses issued for non-payment of poll tax, the local government tax, in England and Wales in the third quarter of the financial year was 2.3m, down from 3.02m in the same quarter a year ago, the Lord Chancellor's Department announced.

In addition, 1.92m liability orders were made, compared with 2.39m a year before, and 9,526 people attended liability hearings, compared with 18,627 a year earlier.

Five-year deal

Vauxhall won a five-year contract to supply driving school group BSM with its new Corsa small car. The exclusive supply contract was previously held by Rover group, which has delivered up to 5,000 Metros annually to BSM for the past decade.

US exhibition

The UK motor racing industry, including component and accessory suppliers, is to stage its first big commercial and technology exhibition in North America at the Indianapolis 500, the US' premier motor race, in May – with the backing of the Department of Trade and Industry and Society of Motor Manufacturers and Traders. At least 31 of the 33 cars entered for Indy car racing this year will be UK made.

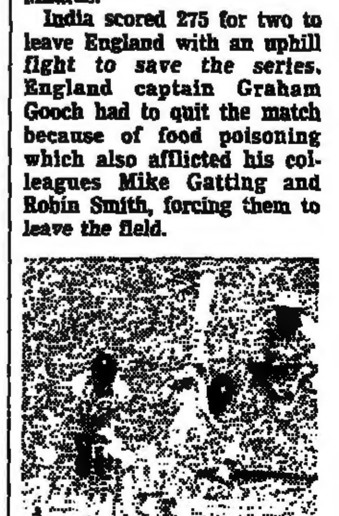
Lottery bonus

The planned national lottery will create about 1,000 jobs in the organisation itself and hundreds more in the marketing, printing, computing and security industries, says a research report for the National Heritage department.

Second Test

Indian batsman Navjot Sidhu (below) drives the ball to the boundary during the first day of the second Test match between England and India at Madras.

India scored 275 for two to leave England with an uphill fight to save the series. England captain Graham Gooch had to quit the match because of food poisoning which also afflicted his colleagues Mike Gatting and Robin Smith, forcing them to leave the field.



Developers must learn from the errors of the 1980s - and from Keynes, says **Richard Barras**

Death-knell for the speculative venture

The recent publication of the second volume of Robert Skidelsky's biography of Keynes, The Economist as Saviour, offers a timely insight into the economic debates of the inter-war depression. These debates take on a new relevance today, as the British economy struggles to emerge from the longest recession of the post-war period. They are particularly pertinent to an assessment of the impact of the 1980s' property boom upon the wider prospects for the British economy in the 1990s.

One of Keynes' great concerns was the tendency for savings to exceed the perceived investment opportunities in a mature economy such as Britain's. Uncertainty about the returns from slow-maturing capital investment projects tends to depress the rate of investment, but also to boost the rate of savings as a defensive measure. A rapid expansion in credit can temporarily overcome the imbalance. This typically leads to a speculative boom in the equities and property markets, as in the late-1980s.

However, when the supply of credit is cut, the boom collapses and creates the risk of a prolonged slump – as happened in the 1930s and could recur in the 1990s.

Keynes identified channels into which savings could be diverted if investment in new domestic capital projects seems too risky. These include hoarding in the form of money deposits, purchase of existing assets and investment overseas. All such forms of saving add to the store of wealth, but not to the stock of capital goods. Consequently they are deflationary because they represent a non-productive diversion of purchasing power away from the demand for goods and services.

To this list we should add the more speculative forms of property development. For even when savings are being invested in new capital formation, the extent to which such investment is contributing to the productive capacity of the economy can vary enormously.

It is a long-standing characteristic of the UK economy that less productive forms of investment tend to find favour over investment in new industrial plant and machinery. In part this reflects the traditional dominance of the City of London over provincial manufacturing interests, a legacy which has encouraged a strong "rentier" tendency among owners of capital.

This tendency encourages the view that the purchase of existing equities or property is safer than investment in new capital projects. However, Keynes thought that as real interest rates and investment returns fell, in response to a growing surplus of capital, then the result would be the "euthanasia of the "rentier".

Instead the opposite has happened. The demand for capital is stronger than ever: to fund Britain's growing trade and budget deficits and to meet the borrowing requirements of individuals.

Consequently, real interest rates are as high as they have ever been. At the same time the tax regime encourages personal savings in the form of house ownership and pension schemes. We are all rentiers now. Our direct concern is to accumulate wealth which yields an immediate return.

Inevitably the same rentier mentality pervades those financial institutions which invest savings on our behalf. Hence the short-termism of City investors. Hence a commercial property industry which strives to produce what it believes to be "institutionally acceptable" rather than "occupationally desirable" buildings. The result is a self-defeating tendency to develop too many high specification buildings without adequate reference to their productive potential.

Too many buildings have gone up without adequate reference to their productive potential

The 1980s building boom has been an example of this tendency. The trigger was financial deregulation and the motor was the credit expansion generated by deregulation.

However, this credit has not been directed to rebuilding the UK's manufacturing base. Rather, it has been used to fuel an unsustainable growth in consumption and to fund the construction of too many shopping centres and London offices.

All the leading economies with the exception of the US enjoyed an investment boom in the second half of the 1980s. In general this boom was biased towards plant and machinery investment, which expanded by as much as 45 per cent over the five years, compared with only a 16 per cent increase in non-residential building.

Britain was the exception. It showed the highest increase in non-residential building investment of any of the G7 economies and the lowest increase in investment in plant and machinery. As a result it was the only one of the G7 to experience a lower rate of expansion of investment in machinery than in building.

The implications of the contrasting profiles of investment in the UK and Germany are chastening. While the UK has been building marble-lined temples of commerce, the Germans have been pouring money into rebuilding the industrial base of eastern Germany. It is difficult to believe that the Germans' investment will not show the greater pay-back in the next 10 years.

The UK's missed opportunity is all the more serious because it lessens its ability to take advantage of sterling's recent devaluation to generate an export-led recovery.

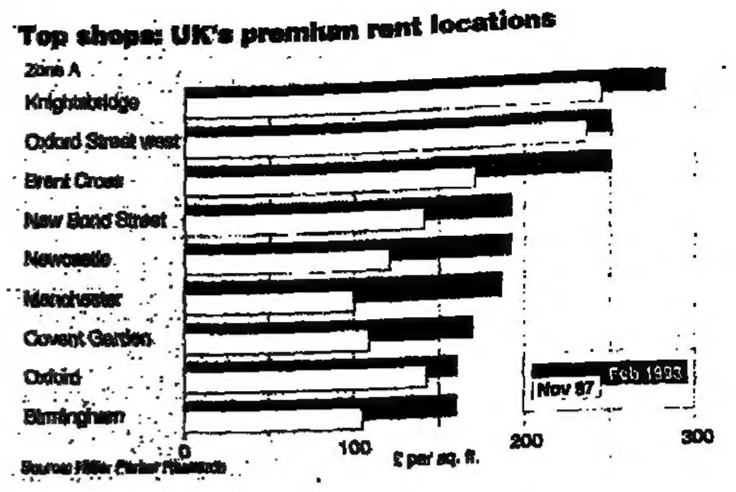
However, the 1990s may be the decade of reckoning. The UK economy has been running a substantial trade deficit even in depths of the recession. Manufacturing output has fallen from 30 per cent of GDP in the mid-1970s to just 23 per cent at the beginning of the 1990s. The emergence of some sort of industrial regeneration strategy, however painful, seems inevitable. Less likely, would be a radical switch in incentives from personal savings to corporate investment.

What would such a shift in priorities imply for the property industry? It means increased demand for modern industrial property; greater infrastructure investment; more modestly specified office and retail developments attuned to the needs of occupiers and not the perceived needs of investors; and, across all sectors, less speculative development and more customised buildings for specific occupiers.

Otherwise the property industry will again be made to pay for the national weakness for what Skidelsky calls "the triumph of making money over making things".

The author is a partner of Property Market Analysis

Top shops: UK's premium rent locations



Source: Hillier Parker Research

London bears brunt

SHOP RENTS have increased by an average 44.6 per cent since November 1987, according to Hillier Parker, chartered surveyors. Rents reached a peak in May 1990, since when the Investors Chronicle-Hillier Parker All-Shops Index has fallen by 7.6 per cent.

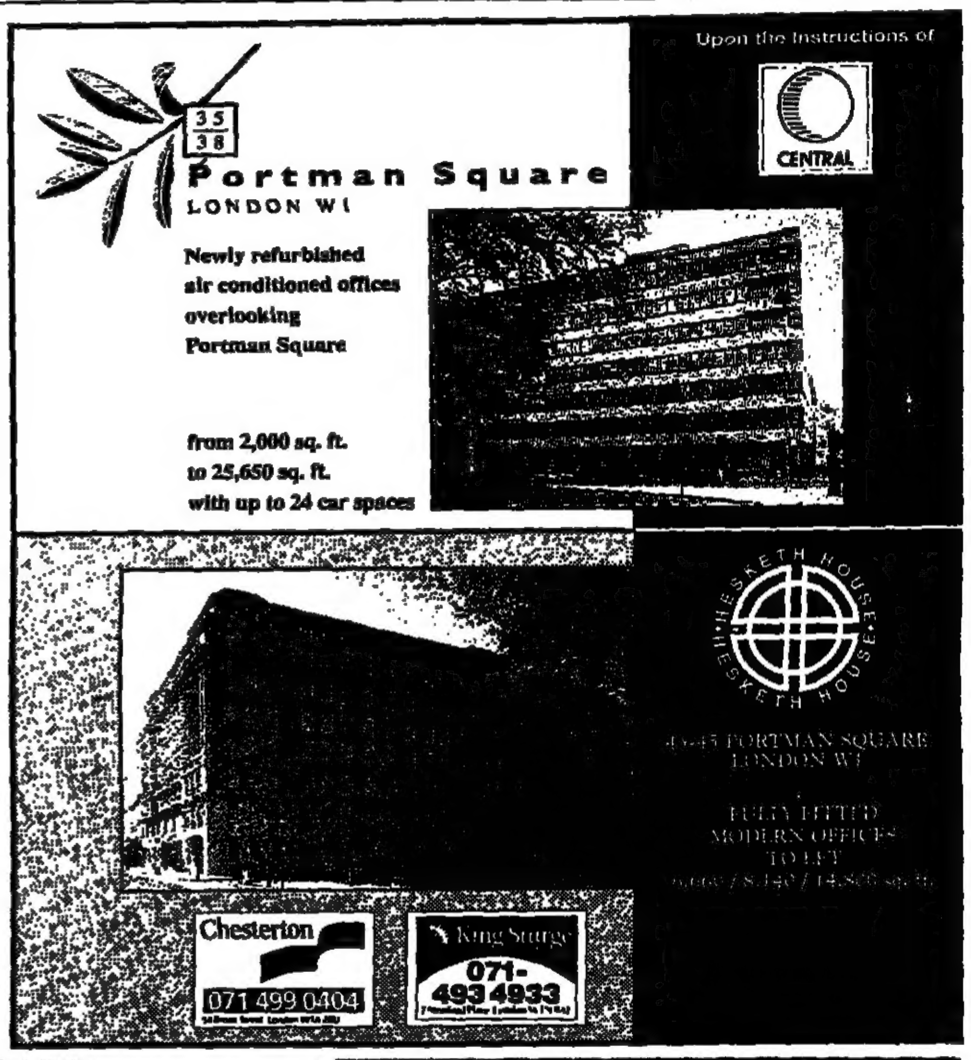
A study of the nine locations charging the highest rents in the UK showed sharp variations in rental movements between different areas.

The sharpest falls since the peak in 1988 have been in London, which has been affected by the recession and high increases in business rates. Oxford Street, which commanded the highest rents in the UK in 1990, has seen its rents fall from a peak of £350 per sq ft in 1988 to £260 per sq ft today.

The smallest fall was in Newcastle, in north-east England, where top rents declined from a peak of £200 per sq ft to £190 per sq ft.

These figures measure the movement in open market rents on new leases, and so tend to react more sharply to changes in market conditions than portfolio measures, which include existing leases. However, they may underestimate the extent of the downturn by excluding the impact of incentives such as rent-free periods and capital contributions.

Hillier Parker reports that the retail sector is performing better than offices and industrials, in spite of oversupply and falling retail sector profits. At the peak of the development cycle in 1989, 14.4m sq ft of retail space came onto the market. Last year the figure fell to 6m sq ft.



TECHNOLOGY

Della Bradshaw discovers why synthetic perfumes are beginning to outperform their natural counterparts

On the scent of a bestsmeller

Fragrance in a flask: synthetic oils are less expensive than natural ones and their quality and supply can be guaranteed

The dream of every perfumer is not fields of purple lavender nor hillsides covered in bright yellow mimosa – not even gardens full of sweet-smelling roses. It is the one synthetic chemical that will give that most elusive of products – the best-selling fragrance.

For although a perfume may boast high notes of jasmine or undertones of musk, these days the vast majority of perfume oils are produced in a chemistry laboratory rather than a field.

"The trend is towards more synthetic components," points out Terry Goodacre, senior perfumer at Drogoco, one of the dozen fragrance and flavour companies now employed by the top perfume houses to develop new perfumes. He acknowledges that naturally-derived oils "always have the edge", because each fragrance oil can be made up of thousands of individual chemical components, each in minute proportions.

But recent developments in synthesising oils that replicate natural flower fragrances, and the development of completely new chemical components, are beginning to rival – and even outperform – their natural counterparts.

One big advantage of synthetic oils is that they are less expensive than their natural equivalents. Grasse, in the south of France, for example, provided many of the flowers for the perfume industry until tourism pushed up the price of land along the French coast and made large-scale flower cultivation uneconomical. It takes a tonne of jasmine flowers to produce just a few kilos of perfume oil.

The price, quality and supply of synthetics can also be guaranteed. When frost hit the Californian orange crop in December 1991, for example, the price of natural orange oil soared. And until recently, perfumers have imported much of their oak moss and lavender from the former Yugoslavia and many of the resinous fragrances from Somalia. There are now fears that supplies from both these areas could be jeopardised.

The art of the chemist is twofold. First, scientists have to formulate a chemical oil that is as near as possible to the natural source. Traditionally, that has been done by extracting the oil from the plant and then analysing it. But many of the latest high-priced perfumes have used fragrances derived by a new method known as "head space analysis".

In this, rather than analysing the flower oil, scientists concentrate on the odour which emanates from the living flower before it is picked. This can be particularly useful with flowers such as daffodils, from which oil cannot be extracted.

The volatile substances from the flower are vacuumed up over several hours or days. The sweet-smelling air is cooled to condense out the fragrant materials. These are analysed using traditional spectrometry and, if all goes according to plan, replicated.

The difference between the analysis of a flower oil and the results of the vacuum method can be "quite startling", says Goodacre.

One reason for this is that when oils are extracted from flowers, many of the component chemicals are broken down, affecting the smell.

Analytical techniques used to catalogue the volatile components of a natural oil have now become so sophisticated that they can identify those that appear in minute quantities – just a few parts per million. So chemists can go back to popular flowers – the rose is the obvious case – and synthesise these trace chemicals so that the artificial rose oil smells even more like that from the original flower.

Second, and more excitingly, chemists are discovering new fragrant components. "All the time we're looking for new smells, we're all striving for this new component," says Tony Mills, chief perfumer with Bush Boake Allen, the fragrance and flavour company.

Typically, each perfume is a blend of 30 to 50 oils, although a complex blend can contain up to 200

"With chemistry, we can come up with a whole new direction."

Few perfumers even dare to believe that they will concoct the second Chanel No 5 – a constant bestseller since it was introduced in 1923. What they hope for is a fragrance which other perfume houses will be forced to emulate.

Failing that, they aspire to create a novel fragrance by experimenting with existing chemicals in innovative mixes. Typically, each perfume is a blend of 30 to 50 different oils, although a complex blend can contain up to 200 components.

"It's very exciting to build a winning fragrance around an ingredient that has been on the shelf all the time," says Mills. On the BBA shelves there are up to 1,300 different chemicals.

Once a perfume is created, the novel element can be used in the marketing. The Japanese cosmetics company, Shiseido, for example, heavily promotes its new perfume, *Feminité du Bois*, on its sultry ingredient, cedarwood.

Industry experts reckon that in spite of the frequency of perfume launches in the past few years, truly innovative fragrances have been few and far between. In the late 1970s, for example, Ralph Lauren introduced Lauren, with its distinctive blackcurrant note. Other perfume houses followed with other fruity fragrances.

Most recently, Aramis launched New West for Her, with its clean melon fragrance which other perfume houses are still trying to emulate.

One reason, believes Astra West, fragrance evaluation manager with BBA, is that once a perfume reaches the market evaluation stage, consumers invariably opt for something comforting rather than something challenging.

"The familiar always wins," says West. And with that in mind, few brand managers are prepared to stick their necks out in order to back a truly innovative product with the prospect of losing millions of pounds. "There are very few Estée Lauders left in the world, who say that's the one I want," adds West.

Creating a new perfume is inevitably a complex process. "It's a bit like in advertising," says Goodacre. "The client comes to us with a brief of what they want and we pitch for the business."

The brief could be something as general as a marketing strategy – the age of the potential wearer and lifestyle, say. Other briefs would be more complicated, identifying specific elements in the fragrance.

One of the biggest problems is interpreting what the client wants. But a "language of perfumery" has developed – with "floral notes", "green notes" and so on. "One of the most misinterpreted words I've ever come across is the word 'fresh'," says West, citing the numerous different interpretations of the word.

In spite of all the research involved in creating the vital combination of oils and aromas, as little as 15 per cent of a bottle of perfume is actually oil, says Peter McDougall, an analyst at BZW, the London securities house. The most plentiful component is alcohol – 55 per cent – followed by distilled water. In a bottle of eau de parfum the oil content can be as low as 8 per cent, and in eau de toilette as low as 4 per cent.

And in terms of the cost of production, the ingredients in a bottle of perfume account for only 5 per cent of the total outlay, adds McDougall. The research and development costs a further 5 per cent, and there is the additional cost of the expensive equipment needed for the distillation process.

But for those eager to buy their loved ones a bottle of the latest perfume for Valentine's Day on Sunday, it is sobering to remember that most of its cost is accounted for not by the fragrance but by sales and marketing activities, packaging, distribution, and, of course, the profit margin.

Worth Watching · Della Bradshaw

Apple Computer's latest bites

Apple Computer has introduced a colour-screen version of its big-selling portable computer, the Macintosh Powerbook, more than a year after the launch of the original monochrome machines, writes Daniel Green.

The Powerbook 165c should appeal to those who prepare work for their colour-desktop machines or business presentations while on the move. It can display 256 colours and uses the 68030 chip, the most powerful microprocessor that Apple has yet put in a portable computer.

The Powerbook 165c costs £2,745. Apple: US, 408 996 1010; UK, Freefone Apple.

A new resin takes the floor

Formaldehyde is widely used in the production of vinyl kitchen floors and other flooring and roofing materials – but it's best known as a poison.

Most attempts to find a substitute have failed on grounds of physical performance. But a company in Philadelphia claims to have developed an alternative that matches the performance of formaldehyde binders and resins.

Rohm and Haas say the tensile strength of its water-based acrylic resin permits lower fibreglass weights and therefore cuts costs. Rohm and Haas: US, 215 592 3000; UK, 081 686 8844.

Home and dry

A heated towel rail which switches itself on before you get into the bath, or shutters that automatically close at sunset are the promises of a home automation system developed by the French consumer industry company Groupe Moulinex.

Scenario uses the domestic electric wiring system to send signals from a control unit, just the size of a telephone, to appliances which are plugged in around the house. Each appliance is wired to an "intelligent" plug, which acknowledges orders and sends back a message to the central console to confirm that the order has been carried out.

The system can also be activated by telephone. Groupe Moulinex: France, 1 49 20 72 00.

Safety in the cot

A low-cost monitor intended to save the lives of babies at risk from cot death has won first prize in the Toshiba Year of Invention competition for an 18-year-old Scottish schoolboy.

The Breathe Sure monitor should sell for about £60, compared with several hundreds of pounds for the monitors used in many hospitals. An Edinburgh company of medical equipment suppliers, JMW Systems, is already building prototypes.

The Breathe Sure sensor, which is attached to a cloth belt, picks up the infant's breathing. Each time a breath is detected a green light flashes on the electronic monitor which is hung from the cot or pram. Should breathing stop or become irregular an alarm sounds. JMW Systems: UK, 031 440 3633.

Coming out in the wash

A technique similar to that used in the production of bath oil capsules has been developed by chemists in Northern Ireland to produce the latest home laundry convenience product – sachets of laundry liquid.

The developers, SB Chemicals, of Lisburn, Co Antrim, believe the product reduces the amount of unnecessary chemicals used in domestic washing machines.

A measured dose of the anhydrous (waterless) washing liquid is encapsulated in a water-soluble sachet, which is placed on top of the soiled clothes in the washing machine. The film around the sachet is also active in the washing process, acting as a soil suspension agent when it dissolves. SB Chemicals: UK, 0846 673331.

MANAGEMENT

Investors export US zeal

US institutional investors, out of whose bottle the genie of corporate governance first crept, are exporting their activism abroad.

According to a study* published yesterday by the Boston-based Institutional Responsibility Research Centre, US shareholders have nearly doubled the number of ballots they are casting at overseas corporate meetings. In 1992, US institutions exercised their vote on 40 per cent of their non-US stock, up from 24 per cent the year before.

UK institutions fare badly by contrast. The National Association of Pension Funds in 1991 found that fewer than 20 per cent of British institutions voted on share resolutions for stocks in their home market, though the NAPF says such apathy may be changing.

American investors are increasingly taking as hostile a stance abroad as in the US, where they have toppled senior management at IBM, American Express and General Motors. Board positions were opposed in 7.8 per cent of cases in 1992, up from 3.5 per cent in 1991, the survey found. "With more than $250bn [£166bn] worth of international stock at stake, US shareholders are saying they can't afford to ignore the hazards of different corporate governance practices abroad," said Stephen Davis, director of IRRC's Global Shareholder Service.

However, the study finds that non-American corporations are fighting back against institutional activism. Many German corporations appear to be deleting shareholder proposals from proxy materials and ballots sent to US investors, while most US investor votes cast at annual meetings of UK, Australian and Canadian annual meetings are never counted.

Norma Cohen

**Full results in: Global Voting: Shareholder Decisions 1991-92, available from Investor Responsibility Research Centre, 1755 Massachusetts Ave NW, Washington DC 20036. Price $75.*

Beat the Budget with solid gold

Tim Dickson on hedging your bets against March 16

Psst! Fancy being paid in gold bars, diamonds or even cocoa beans? Bizarre as it seems a growing number of UK companies have been turning to commodity-based bonus schemes, which tax experts reckon may be costing the government tens of millions of pounds in "lost" National Insurance revenue.

The present popularity of the schemes is attributable to two main factors: a growing fear that the chancellor may raise the level of NI contributions in next month's Budget, and suspicion that he could crack down on apparent loopholes at the same time.

National Insurance planning is one of several issues for companies to consider before Lamont gets to his feet on March 16. Corporations do not have the same range of opportunities to beat the Budget as individuals: but a checklist of possible boardroom actions can be compiled.

Accountants and lawyers say NI is a big preoccupation for companies – hardly surprising perhaps given that it is already such a nice little earner for the chancellor.

Raising more income tax would be widely decried as a political U-turn, which is why Lamont may find it more attractive to raise additional revenue through National Insurance. Controversially, he could take a leaf out of the Labour party's last election manifesto and raise or remove the £21,060 ceiling above which the employees' National Insurance contribution is not paid. But a more plausible option might be to lift the present 10.4 per cent rate which companies pay on most salaries.

Present NI rules exempt staff bonuses paid in the form of marketable commodities rather than money from both employer and employee contributions. MAI, the financial services group, attracted considerable attention before the last election by making payments to some staff in gold bullion.

Diamonds can also be used, while factory workers at the Presbar group were recently reported to be receiving part of their remuneration in cocoa beans. A scheme involving bonus payments in unit trusts was ended in 1991.

Obviously, employees do not take physical delivery: in a typical scheme the commodities are credited to their name and sold for cash within a couple of days of being bought. Value Added Tax on gold can be avoided provided the purchase is routed through an offshore centre like Switzerland.

John Valentine, a tax partner with Grant Thornton, points out that employees also enjoy the benefit of deferring income tax. He nevertheless cautions against setting up a scheme of less than £100,000. "The Revenue may choose to challenge individual cases, and unless every single document is word perfect they may fail. It could be a time consuming and expensive process."

Other accountants say some clients are reluctant to enter into arrangements which could upset their relations with the Inland Revenue.

Valentine emphasises that the scheme only works for bonuses, not for the employee's basic remuneration (where the company has a contractual obligation to pay).

National Insurance is not the sole pre-Budget tax topic for management in-trays.

Take Advance Corporation Tax, for instance. An intense lobbying campaign has been directed at the government over rules which disallow ACT from being credited against tax paid on overseas profits.

The chances of the chancellor succumbing to the pressure look slim – indeed he may even clamp down on some of the tax avoidance schemes which have been put in place.

But as David Reid, tax partner at solicitors Clifford Chance points out: "If there is to be a change in the ACT rules there could be advantages for multinational companies to delay the receipt of dividend payments into the UK from their overseas subsidiaries until after the Budget."

Companies will also want to keep a close eye on any moves in the Budget to tax company cars on the basis of their market value. In the meantime, executives with their eye on a new model which costs, say, more than £19,250 – the current definition of an executive car – may want to wait and see how Lamont changes the current banding system. This way they may be able to buy a bigger car without the additional tax cost incurred at the moment.

Business proprietors who think personal tax rates are set to rise, meanwhile, may want to take advantage of the opportunity to "dividend strip" before the end of the tax year.

Weighing up the benefits: bonuses paid in gold are exempt from NI contributions

The point here is that dividends, unlike salaries, are free from NI contributions and thanks to the offsetting effect of ACT can be extracted from a company at a tax rate of just 20 per cent. This would increase if the chancellor raised the top rate of personal tax – currently 40 per cent – though there would still be time to take action for this year before April 5.

Tony Allen of Coopers and Lybrand warns companies to beware of exchange differences when disposing of overseas assets. There is some expectation that the government may in the forthcoming Budget remove the current anomaly which means businesses incur capital gains tax on a paper profit. But it would be unwise to count on it.

Rise of the ambassador manager

Country managers used to be the barons, if not the kings, of most multinational companies. But now most of them are being cut down to the size of mere ambassadors.

As their companies strive to accelerate decision-taking, to slash head office costs, and to achieve greater all-round global co-ordination and efficiency, most of their power – sometimes even over sales and distribution – is being transferred either to regional czars, or more often to the heads of worldwide product divisions.

As a result many country managers have either been pensioned off early, or are suffering severe demotivation as they bow to the inevitable relegation of their role.

In a growing number of companies, such as ICI, Britain's largest chemicals combine, "country management" is being reduced to a part-time representational role, carried out by a senior divisional manager (see this page, Feb 1).

But should the fate of country managers be so inevitable? Is it even sensible?

Or should companies treat them in a less standardised way, adapting their role more carefully to the company's stage of organisational evolution, and to each country's different conditions?

There is nothing either inevitable or sensible about a blanket approach, according to the initial findings of a study being undertaken by John Quelch, a professor at the Harvard Business School.

Companies should think far more carefully about what kind of country manager they need in each national situation, says Quelch. They should also recognise that, even when it is sensible to transfer most power to global divisions, country managers can be motivated by developing new skills. These include encouraging the export and import of good ideas between subsidiaries.

Quelch is now extending his study to 200 country general managers. So far it has been based on interviews with 50 executives in 12 Asian, European and North American multinationals in services, consumer and industrial products.

The executives' responses range from demotivation to surprising expressions of secret content at a narrowing of their responsibilities. – so long as they retain their titles, that is.

In a working paper called The New Country Managers which describes his initial conclusions*, Quelch quotes one executive, presumably of the demotivated variety, saying lugubriously that his type of role will not actually disappear, since "governments still need one man to go after, to put in jail".

Quelch's categorisation of country managers is in line with a suggestion in his paper that companies are evolving through several stages towards a relatively standard "global" type of organisation.

This would be disputed by fellow academics: some Japanese and other companies are moving in the reverse direction, from centralised global to a much more complex and flexible structure which has become known as "transnational".

But Quelch's four-stage categorisation is useful all the same:

- When a company goes international, it may establish wholly-owned country subsidiaries in its larger, more promising markets, sometimes acquiring local distributors. The company managers needed for these young subsidiaries are "traders" who focus primarily on sales and distribution.
- To achieve local market penetration, the company devolves more functional responsibilities to country managers. They develop and manufacture an ever broader line of locally adapted products. The company becomes a genuine "multinational" and country managers, evaluated on the profits they deliver, become "potentates".
- To achieve the benefits of greater integration of its activities on a "transnational" basis, the company reduces the country manager's decision-making authority over research and development, purchasing and manufacturing. It consolidates these functions in centres of excellence (which may be regional or global). Marketing decision are shifted to the regional level. The country manager remains involved, but has to be a team player, a "cabinet member".
- In fully "global" organisations, worldwide divisions (or "lines-of business") dominate the organisation. The country manager is now an "ambassador".

Since most multinationals are at varying stages of development around the world, they need more than one type of country manager – a portfolio with different sets of skills, Quelch argues.

A European consumer goods company, for instance, might appoint "cabinet members" as country managers in an increasingly integrated Europe, but put "traders" into Asia, where markets are growing faster and national socio-economic differences are greater. Meanwhile the "potentates" who run the company's operations in Latin America, where tariff barriers still limit cross-border commerce, might still remain in place.

Country managers should become a mixed breed of high-fliers, in other words, not a cloned race of almost has-beens.

Christopher Lorenz

**An edited version of the paper will be published in the next issue of the McKinsey Quarterly, available at the end of this month.*

PEOPLE

Orderly succession at Shell

John Jennings (right), who has been with the Royal Dutch/Shell group for over 30 years, will take over the chairmanship of the British arm, Shell Transport and Trading, when Sir Peter Holmes retires at the end of June.

The Royal Dutch/Shell Group is the world's second biggest oil company and its management succession tends to be orderly and dictated by a retirement age of 60. Sir Peter, who has been chairman since 1985, was 60 last September and it had been expected that he would hand over the chair to the next most senior of the three British group managing directors.

Jennings, 55, has been a group managing director since July 1987 and has come up on the exploration side of the group. Having graduated in geology from Birmingham University in 1958, he was awarded a Shell research studentship enabling him to obtain his PhD in geology from Edinburgh.

He spent his early career exploring for oil overseas. In 1979 he was appointed managing director of Shell UK exploration and production and in 1985 was made exploration and production co-ordinator for the Shell group based in The Hague.

Sir Peter Holmes, like his predecessor Sir Peter Baxendell, will remain on the board after he retires but his role as chairman of the joint committee of the service companies of the Royal Dutch/Shell Group will be taken by Cor Herkströter, president of Royal Dutch Petroleum.

Jennings will become vice chairman of the committee but given that he is of a similar age to Herkströter, the most senior position in the group is likely to continue to be dominated by the Dutch side. Traditionally, the post has rotated between a British and Dutch chairman. But the differences in ages has meant that the Dutch have tended to hold the job longer than their British colleagues. Sir Peter Holmes, for example, was close to retirement when he became chairman of that committee last June.

■ *STOREHOUSE* acted quickly yesterday to plug the gaps while it searches for a new chief executive after David Dworkin's decision to leave for Carter Hawley Hale in the US.

Graham Rider, group finance director, was appointed acting managing director of the BhS store chain in addition to his existing responsibilities. Ann Iverson, the former colleague whom Dworkin brought from the US to help him at BhS, and then promoted to chief executive at Mothercare, was appointed to the Storehouse board.

■ **Alan Goodhill** yesterday resigned from his position at Morgan Stanley International in London. Goodhill, 44, had been head of European equities for the past three years, and had worked for the firm since 1982.

A Morgan Stanley official says resignation came as "a surprise", adding that Goodhill planned to "enjoy some time with his family". Goodhill himself was not available for comment, having already departed from Morgan Stanley's Docklands headquarters by mid-afternoon in line with the firm's policy.

■ *FENNER*, the Hull-based power transmission, industrial conveyer belts and fluid power group, yesterday announced the appointment with immediate effect of Julian Bigden as group managing director.

Bigden, 48, replaces Tom Brown, who has resigned. The move was unexpected, but Peter Barker, Fenner's chairman, said: "It's pretty tough out there, and I think Tom took the view that he would like to pursue other interests."

The new md, who remains president of the US company, has been with Fenner for about 20 years, and over the past 10 years has successfully transformed Fenner's US operations into a number of profitable and growing businesses under the umbrella of Fenner Inc.

Bowtell's fast-stream

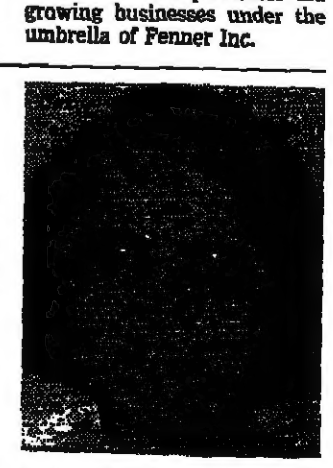
Ann Bowtell has been appointed First Civil Service Commissioner, responsible for selection to the senior civil service and for the fast-stream entry programme. Bowtell, 54, is the first woman to be appointed to the post.

A graduate of Girton College, Cambridge, Bowtell was herself a fast-stream trainee, joining the National Assistance Board in 1960. Her career in the department of health and social security (which replaced the NAB) has been largely in policy, personnel and resource management. She is currently deputy secretary at the department of health, where she is the principal establishment and finance officer.

Bowtell is particularly well-qualified to help the civil service achieve its aim of attracting more women to its top ranks, and retaining them after they start families. A mother of four, she continued to work part-time while her children were young.

She replaces John Holroyd, who was recently appointed Prime Minister's appointments secretary, with responsibility for church appointments and some special academic jobs.

Bowtell will be replaced at the health department by Joe Pilling, 47, the former director-general of the Prison Service. Pilling won respect for his



work at the prison service, and had been expected to continue in charge when it achieved executive agency status this year. However, the home secretary selected an outsider, Derek Lewis, former chief executive of Granada Group.

Theatre

Night after Night

Neil Bartlett is a playwright, translator, director and performer, and this sheer diversity makes him one of the more ubiquitous figures in British theatre. The National has presented his translations: Racine's *Berenice* in 1990 and Marivaux's *The Game of Love and Chance* (current). Last year, the Lyric, Hammersmith, presented his adaptation of Ruth Rendell's *A Judgement in Stone*. He also co-directed the latter two: which, like several other shows involving him, were produced by Gloria – a production company set up in 1988 to present work by him and three other artists.

Much of Bartlett's work advances pro-gay sentiments, and all of it expresses a gay sensibility. His latest offering, *Night after Night*, is the most direct treatment of gayness that I have seen by him. Also the most autobiographical. A one-man show (with accompaniment by Nicolas Bloomfield), it begins with the premise that he, Bartlett, bears a close physical resemblance to his own father. And then he flips back to become his father in 1958, the year of his birth. His father-to-be is taking his mother-to-be to a musical. "The show is about to begin."

Bartlett then becomes the theatre manager, the coat-check man, and the barman: who are all – well, confirmed bachelors. So are most of the chorus-boys. Yes, 1950s musicals are wonderfully touching, but isn't it funny how they speak to gay people as directly as to straights? And isn't it ironic that a ritual as heterosexual as a 1950s musical should be framed by so many gay men (front of house, in the chorus, and so on)? And didn't Bartlett *père* ever notice this then? But it is 1958, the year in which Bartlett *fils* will be born.

A reexamination of art and history and family biography is a standard and necessary part of gay liberation. But *Night after Night*'s use of self is thoroughly awkward. It wants to be (a) a *tour de force* in which Bartlett impresses us by being several different men; (b) a private argument (Didn't you ever see any gayness around that straight illusion, Dad?) shared with us all; and (c) Bartlett's treatment of the theme of homosexual participation in heterosexual art. It wants its audience to cry: (a) "Bravo, star"; (b) "Us too, Neil"; and (c) "Alpha plus, Bartlett."

You need to be a larger artist than Bartlett to bring all this off. Bartlett can impersonate the gay front-of-house theatre staff with some malicious panache. As his own straight father, however, he is a cypher. *Night after Night* tickles its audience's fancy, but it reeks too of a tricky mixture of self-indulgence, what-about-me self-pity, and self-advertisement. Bartlett talks of the heterosexual world as if existed beyond the green baize door, and as if he inhabited the servants' hall downstairs. He imagines being part of it, and yet he cannot imagine its nervous system.

Alastair Macaulay

Royal Court, Theatre Upstairs, until February 13

Antwerp at its apogée

Patricia Morison finds many Flemish masterpieces but little information

An extraordinarily prolific outpouring of artistic talent is the theme of *From Bruegel to Rubens: The Antwerp School of Painting from 1550 to 1650*, at the Royal Museum of Fine Arts in Antwerp. Inevitable, we think of those generations in terms of the great foursome, Bruegel, Rubens, Van Dyck and Jordaens. Yet the aim of this exhibition is to shed light on the other talents, their pupils, friends, and competitors.

With 150 paintings by no less than 79 Antwerp masters, it offers an ample *tour d'horizon* of an artistic centre which at that time enjoyed a reputation which can only be compared with the dominance of Paris in the 19th century. However, the show which should have been the perfect curtain-raiser to Antwerpen '93, the festival marking Antwerp's time as cultural capital of Europe, sells itself short.

Previously the exhibition was in Cologne where, by all reports, it looked a far better thing than it does in the downstairs galleries of the Royal Museum of Fine Arts in Antwerp. Here, paintings are hung on a horrible system of steel braces. Flanders should really look to her greatest treasure. The time must surely be near for a major renovation of a gallery which houses one of the world's most evocative collections of paintings?

Time and cash were perhaps not sufficient to allow redecoration ahead of the Festival. But what about some elementary housekeeping? Grass sprouting from the steps, torn and dirty curtains in gallery windows, a blown light-bulb casting shadow on a picture – those are easy enough defects to put right. A narrow strip of carpet running around the edge of the galleries allows the warders to sing out the moment anyone steps forward. It also has the depressing effect of making visitors patrol it as if it was a cat-walk.

The paintings are hung in a way intended to show the sheer breadth of types of painting for which Antwerp's artists were famed. The true centre of gravity of the show is post-1600, by which time subjects which were novelties to artists 50 years earlier had reached a wonderful pitch of expertise.

The mid-16th century saw Antwerp at the apogée of her wealth and status, and then enter into the long decline after the Spanish closed the Scheldt. Yet this made no difference to Antwerp's fame as an exporter of paintings – and also of artists. It is impossible to avoid speaking about "factories" and "production lines" in an epoch in which dealers sent Antwerp middlemen orders for paintings by the hundred.

From Naples and Paris to Peru, demand was unquenchable for the wide skills of the Antwerp workshops. History painting, landscapes, battle-scenes, scenes of peasant life, shipwrecks, still-lives, paintings to record art-collections; the selection of works, many from private collections, ought to convey the right message about the intense specialisation of artists in this period. Unfortunately, the organisers of the exhibition appear to have wanted only to commune with fellow-specialists in Flemish art.

The result is an inexcusable shortage of information about anything lay visitors might want to know. Nothing is said about the career of individual artists, and even their dates do not appear on the labels. There is nothing about the political and social background. If only these things could be easily followed up in the catalogue, it would be different; however, the logic behind this heavy volume is unfathomable.

It is sad to have so many grumbles about the presentation of this rare *hors d'oeuvre* to Antwerpen '93. And yet, without question it is an achievement to have brought together so many paintings of singular beauty, rarity, and fascination.

Of course, there are many unfamiliar artists to discover. Take Pieter Van Mol, an obscure contemporary of Van Dyck who settled permanently to Paris. His "Descent from the Cross" from Rheims is a remarkable composition in which Christ's body, painted with painful realism, is held upright in the centre of the canvas by the holy mourners.

Theodor Van Thulden, an important member of Rubens's "factory", also moved for a while to Paris but later went back to Antwerp. His "Flanders, Brabant, and Hainault Venerating the Virgin and Child" of 1650, is a magnificently graceful exercise in political flattery. The provinces, represented as well-dressed ladies, render up their prayers. Gold coins tumble down, the benefits of the wise governance of Catholic Spain.

Every visitor will find paintings they particularly warm too – assuming they resist the pressure of the catwalk to pace along by, rather than looking with care. But the question needs always to be remembered, what are we looking at, a master or a team-effort? So often one skilled hand would add the animals to a landscape, another the flowers in a devotional painting. Hieronymus Francken painted the portrait of a lady at the virginals; his less-skilled nephew filled in the dancing company. As ever, argument rages over whether such a scene paints a moral. Is could be a merry inn where Joachim Beuckelaer's cooks are preparing a hugely carnivorous dinner. Or is it a brothel?

Among the loans from an impressive number of major collections one of the most familiar masterpieces is Van Dyck's "Portrait of Isabella Brant" from Washington. From the Hermitage come two wonderfully harmonious paintings by Rubens and Jordaens. The first is Rubens's scene of a group of peasants on the edge of a spinney, who languidly make love and listen to the sound of a flute. The landscape is a sunny one, lit spectacularly by a double rainbow.

Jacob Jordaens' portrait of his family, with himself playing the lute

The Hermitage's second superb loan is Jordaens's earliest homage to his family. It was painted in 1615, the year he was admitted as a member of the painters' Guild of St Luke, so perhaps that overworked phrase could be used, a *rite de passage*. The family group clusters almost oppressively close around the table. On the women's faces we read maternal love and pious resignation, for above their heads play three golden-haired angels, the infants who had not lived. Jordaens himself cuts a debonair figure, playing the lute. However, he is seated so close to the only other adult male, his father, that he is surely making a statement that the Jordaens family assets are safe in his talented hands.

Ballet in Antwerp/**Clement Crisp**

Giselle

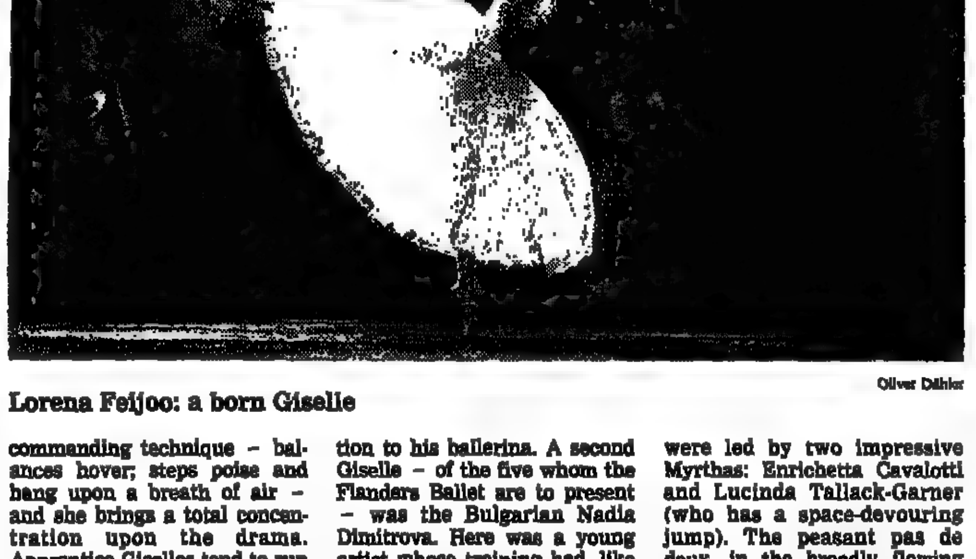
Five years ago Belgium had three ballet companies. In Brussels, Maurice Béjart reigned with his Ballet du Vingtième Siècle as dance guru to Europe. French-speaking Wallonie had its own *Ballet Royal*, and Flanders an equally Royal *Koninklijk Ballet*. But Béjart went to Lausanne, and in 1988 Mark Morris arrived for a three-year stay in Brussels' Monnaie Opera. In 1990, the death of the Ballet de Wallonie's director brought the end of the company, and today only the Royal Ballet of Flanders remains to uphold the ideals of classical dancing. (In Brussels, Anna Teresa de Keersmaekeer's free dance now occupies the Monnaie stage; elsewhere other Belgian modernists flourish – not least Wim van der Keybus).

Flanders' Royal Ballet is based in Antwerp. It was founded in 1969, and it has been directed for the past six years by Robert Denvers. Denvers has given the company a sure identity based upon 19th century traditionalism, modern full-length works, and shorter creations from Balanchine, Tudor *et al.*

The troupe's image is of a serious and disciplined ensemble of 55 dancers – Denvers is also a celebrated pedagogue – and performances during the past few years, in serious stagings of *La Sylphide*, *Don Quixote*, have been marked by a clear and well-mannered classic style. (The dancers, who come from many countries, seem united by Denvers' teaching, and by his high technical expectations).

Last week-end saw the first performances of the company's new *Giselle* in Antwerp's Opera House. The staging, produced by Denvers and the Cuban ballerina, Menia Martinez, pleases by its clarity. There is little of that fuss of Victorian quaintness which is supposed to evoke "Romantic style", and is more like epidemic winsomeness. Nowhere are there those anxieties and caprices that tell of producers' imposing their "vision" upon the ballet, as in the risible *Giselle* at the Paris Opera with its witless Breton setting. The Flanders version lets the dance speak (the text is sound, and seems based upon a Kirov model), and is blessed in its simplicities. Roger Bernard's designs – practical, well-made cottages and graves set against pale back-cloths; pretty costumes – are efficient, and designed for touring, since the company travels extensively. The abiding impression is of a *Giselle* that is clearly placed within the great Russian traditions of the ballet. (My one cavil is that the lines of wilis in Act 2 come between the lovers and the cross on Giselle's grave which must protect them from Myrtha).

The sense of tradition was clear in the interpretations of two young ballerinas whom I saw. Lorena Feijoo is 21 years old, Cuban, and a born Giselle. She is slender, with a gently commanding technique – balances hover; steps poise and hang upon a breath of air – and she brings a total concentration upon the drama. Apprentice Giselles tend to run amok in the mad-scene. Miss Feijoo played it with a control of effects that was never studied, but, like her dancing, seemed the expression of a naturally eloquent and elegant temperament. As the wili Giselle her poses, the turn of her head, a floating delicacy in step, told of a role whose pathos (and whose prodigious demands) she already understood. It was a reading most touching, and most promising.



Oliver Dähler

Lorena Feijoo: a born Giselle

Her Albrecht was Chris Roelandt, strong and considerate as a partner, and proposing a sympathetic character whose decencies are seen in his good manners and exemplary attention to his ballerina. A second Giselle – of the five whom the Flanders Ballet are to present – was the Bulgarian Nadia Dimitrova. Here was a young artist whose training had, like Feijoo's, already placed her in the best traditions of the role. Her Giselle was lively in temperament as in step. Quick accents, quick feelings, told the story in the first act – perhaps slightly self-consciously so. As the wili, Dimitrova compelled attention by the purity and generosity of her line, and by her evident desire to show phrases of movement as a kind of bel canto. Her Albrecht was the Cuban danseur Julio Arozarena, a vivid performer with a bright edge to his dancing.

The support from the company was alert, attractive, at both performances. The nocturnal dances of the second act were led by two impressive Myrthas: Enrichetta Cavalotti and Lucinda Tallack-Garner (who has a space-devouring jump). The peasant pas de deux, in the broadly flowing Bolshoy version, was brightly cut by Hiroko Sakakibara and Francois Petit. And, how good and how rare to report, the Adam score was a vital component in the drama. It was played (in John Lanchbery's edition) with evident affection by the orchestra of the Flanders Opera under the young conductor Koen Kessels. Mr Kessels understood the music's shape, its dramatic purpose, its Romantic force: he gave a notable display of musicianship.

'Giselle' is sponsored by Kredietbank, GB and VTM Television and tours Belgium during February and March

Opera/**Max Loppert**

Don Giovanni

Two London music schools, the Royal College of Music and the Royal Academy, have been involved in a merger, which was set in place last September. The London Royal Schools' Vocal Faculty is the result: facilities from the vocal and operatic teaching departments of both bodies are now being shared, and jointly funded, under the stewardship of Robert Tear (Artistic Adviser) and James Lockhart (Director of Opera).

The most immediately visible product of the union will be the opera shows – *Don Giovanni* just opened at the RAM theatre, *The Turn of the Screw* at the RCM next month, others to follow – whose alternating casts and production forces draw on the newly shared resources. For instance, this new Mozart production is conducted by Mr Lockhart (based at the RCM) and produced by Graziella Sciutti, a much-loved Mozart, Rossini and Donizetti soprano now active at the RCM in a teaching capacity.

No-one in his or her right mind would seek to disgorge runes and portents from Monday's opening performance. It was, however, full of positive features, which can be taken to indicate the general strengths of the London schools' just now: their ability to attract promising material from across national boundaries, and their luck in having both Mr Lockhart and Miss Sciutti involved in their pedagogical activities. The RAM Opera Orchestra produced impressively solid, vigorous support throughout the evening.

The first cast boasts two singers of outstanding gifts – the Ottavio of Ya-Lin Zhang (a physically stiff but free-throated, Italianate tenor) and the Elvira of Susannah Glanville (a fresh-voiced, mettlesome, strongly expressive soprano). Also on show are a Leporello (Paul McNamara) and an Anna (Susan Strangward) note quite "finished" but rich in promise, and a strikingly young-looking Giovanni (James Lawrence) whose vocal facility and personality need only the natural benefits of greater experience.

All the singers seem to have benefited from Miss Sciutti's vibrant engagement with the text and her alertness to character detail. This opera's mesh of emotional complexity and plot intricacy is particularly difficult for young people to convey, yet there was little sense of faltering in weaving its dramatic and musical web.

One question-mark hangs over the production, though: the design style, murky, cumbersome and '50s-ish, offers the students no chance to make contact with the more up-to-date modes and manners of opera-staging they will doubtless encounter on leaving college. It is devoutly to be hoped that this forward-looking new concept in operatic education will allow its students to look forward in every possible way.

Last performance tomorrow

INTERNATIONAL

ARTS GUIDE

An important exchange of exhibitions of antiquities takes place this month with the opening of the George Ortiz Collection at the St Petersburg Hermitage.

In return, a selection of objects from museums in the former Soviet Union can be seen at the Zurich Kunsthaus.

Ortiz, born in Paris into a wealthy Bolivian tin-mining family and now resident in Geneva, started acquiring archaeological treasures more than 40 years ago.

His collection has been characterised as high quality art on a small scale: no painted vases or large-scale pieces of sculpture, but outstanding small bronzes, objects in precious metal, and heads and figurines in marble and stone.

The main body of the collection is Greek art from the Neolithic to the Byzantine, with examples also from Egypt and China.

The Hermitage show comprises about 280 of the best pieces. The exhibition opens next Wednesday and then runs till April 11, before moving to the Pushkin Museum in Moscow (May 6-June 27).

One of the earliest objects is the alabaster figure of a Sumerian bull-man which dates from the third millenium BC, a rare example of sculpture from this period.

Other remarkable pieces include a copper alloy bust of Amenemhat III, the great Pharaoh of the Twelfth Dynasty, and a Roman bronze of Ajax, the only three-dimensional representation of the Greek hero to have survived.

The most recent acquisition is a Graeco-Gandharan marble statue of Prince Siddhartha which dates from the second century AD, portraying him with curling locks and luxuriant moustache.

The works in the Zurich exhibition - including many never previously shown in the West - have been chosen by Ortiz himself. The majority come from the area around the Black Sea. One of the best examples is a winged lion with human features, which dates from the eighth to sixth century BC.

Ortiz has also selected antiquities acquired by the Tsars or museums through private donation or confiscation (the basis of the Greek, Roman, Byzantine and Etruscan collections of the Hermitage and Pushkin museums).

Although the Pushkin's curators judged some objects too fragile to lend, the basalt bust of Amenemhat III from about 2000 BC - perhaps the most important Egyptian work in Russia - is in the exhibition, for which Ortiz himself has underwritten most of the financial risk.

The Zurich show runs till May 2, and can also be seen in Japan at the Kyoto Museum from June 6 to July 4.

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum From Pissarro to Picasso: French colour etchings, including Mary Cassatt's series portraying mothers and children, Pissarro landscapes and two standing nudes by Picasso, printed in red and dating from 1906-7. Ends April 18. Daily

Rijksmuseum Art, Expertise and Trade: a behind-the-scenes view of the trend-setting early 20th century gallery of J H de Bois. Ends May 2. Also North Netherlandish Art 1580-1620. Ends March 7. Gao Qipei (1660-1734) and the Art of Chinese finger painting. Ends Feb 28. Closed Mon

ANTWERP

Musée Royal des Beaux-Arts From Brueghel to Rubens: the Golden Century of Flemish Painting 1550-1650. Ends March 8. Closed Mon

BALTIMORE

Museum of Art French Fashion Miniatures: an exhibition of doll-size miniatures which, due to the postwar shortage of fabrics, were used to present French fashions in Europe and America in the late 1940s. Ends April 25.

Also Chinese Children's Hats: intricately embroidered cloth caps traditionally given to children as protection against evil spirits. Ends June 26. Closed Mon and Tues

BARCELONA

Fundacio Joan Miro Wilfredo Lam: 60 paintings by the Cuban artist. Ends March 28. Closed Mon

Palau de la Virreina David Hockney: 73 paintings. Ends Feb 28. Daily

Museu Picasso The Three-Cornered Hat: the sets and wardrobe which resulted from Picasso's collaboration with Falla, Massine, Diaghilev and the Ballets Russes. Ends April. Closed Mon (Carrer Montcada 15-19)

BERLIN

Neue Nationalgalerie After Guernica: a Picasso exhibition with 90 paintings, 60 drawings and 10 sculptures. Ends Feb 21. Closed Mon

Alte Nationalgalerie Art in Germany 1905-37. Ends April. Closed Mon and Tues

BRUSSELS

Musées Royaux d'Art et d'Histoire Splendour of the Sassanids: the Persian Empire between Rome and China 224-642 AD.

The exhibition reflects civilisation in the Near East before the onset of Islam, and brings together vases, icons, architectural decorations, armour and metal objects from 20 American and European museums. Ends April 25. Closed Mon

LAUSANNE

Fondation de l'Hermitage From David to Picasso: 200 paintings, drawings and sculptures from the rich collection of the Musée de Grenoble. Ends March 21. Closed Mon

LONDON

Accademia Italiana Ricardo Cinalli: large-scale pastel drawings on tissue paper executed during the past five years.

The drawings in the exhibition illustrate the effects created by superimposing up to four layers of tissue paper, on each of which Cinalli has drawn in pastel. Ends March 14. Daily

Tate Gallery Turner's Final Years: the sixth and concluding exhibition in a series examining decade by decade the watercolour output of the great British romantic painter. Ends May 17. Also Visualising Masculinities: the male body in art since the mid-19th century. Ends June 6. Daily

Royal Academy of Arts The Great Age of British Watercolours 1750-1880. Ends April 11. Daily

British Museum Howard Carter: before Tutenkhamun. Ends May 31. Daily

MADRID

Fundacion Juan March Kasimir Malevich (1878-1935): 42 oil paintings by the Russian artist who invented Suprematism. Ends April 4. Daily

Centro de Arte Reina Sofia Joan Miro: centenary exhibition of 60 paintings and 50 drawings from the years 1920-60. Ends March 22. Closed Tues

NEW YORK

Metropolitan Museum of Art Christopher Dresser: an important album of drawings by the late 19th century British industrial designer, plus other notable groups including 1920s rug designs by Eileen Gray, fabric patterns by American painter Stuart Davis and watercolours for furniture by Swedish designer Erik Gunnar Asplund. Ends April 4. Also Ancient Near Eastern Treasures in the Louvre. Ends March 7. Closed Mon

Guggenheim Museum Photography in Contemporary German Art from 1960 to the Present. Ends May 9. The main museum is closed on Thurs, the SoHo site on Tues

PARIS

Musée d'Art Moderne de la Ville de Paris Figures du Moderne: Expressionism in Germany 1905-14. Ends March 14. Closed Mon, late opening Wed (11 ave du President Wilson)

Louvre French Paintings and Graphic Arts of the 18th and 19th Centuries: the redevelopment of the former royal palace continues with works from Watteau to Corot displayed in the 39 newly-opened rooms flanking the Cour Carrée (2nd floor).Also Veronese's The Marriage at Cana. Ends March 29 (Salle des Fetes).

French 17th Century drawings: 160 works which serve to display the vitality of French art under Louis XIV and his predecessors. Ends April 26. (Pavillon de Flore). Closed Tues

Musée Galerie Seita Egon Schiele: 100 works on paper, showing the torments and erotic obsessions of the precocious Viennese expressionist. Ends Feb 27. Closed Sun (12 rue Surcouf)

ROME

Palazzo Venezia Rome under Sixtus V: the latest in a series of exhibitions which celebrate the fourth centenary of the death of the Pope who during his short reign (1585-90) did more than any other to turn Rome into the first modern city of Europe. Ends April 30. Closed Mon

VIENNA

Künstlerhaus The World of the Maya: 300 exhibits evoking the lost civilisation of the ancient central American people. Ends June 27. Daily

WASHINGTON

National Gallery of Art Contemporary Drawings and Prints from the Permanent Collection: 123 works by David Hockney, Jasper Johns and others. Ends March 14. Daily

Textile Museum Saltillo Sarapes: 42 woven wearing blankets from north Mexico which date from the 18th and 19th centuries. Ends Aug 8. Daily

National Museum of American Art Prints by Californian Artists: an exhibition comprising 40 prints by 20th century artists, including Robert Bechtle and Helen Hyde.Daily

Trials and tribulations

Sir James McKinnon claims his style of regulation is necessary, writes Deborah Hargreaves

Sir James McKinnon (left) and Cedric Brown: have been locked in a head-to-head struggle over British Gas

Sir James McKinnon, director-general of Ofgas, the UK gas industry regulator, says his relationship with British Gas is dominated by "creative tension". Most in the company would recognise the tension, and are unlikely to regret Sir James's decision to step down from his post in September, a year earlier than scheduled. But how creative has the UK's most combative regulator been during his six-year tenure?

The aggressive style of the 63-year-old lorry driver's son from Glasgow has left the industry and investors on the one hand, and consumers on the other, divided over this question.

Consumers have benefited from Sir James's tenure. His constant attacks on the cost of gas have helped bring a 20 per cent reduction in gas prices in real terms in the six years since privatisation. He has pushed British Gas to publish standards of service and commit itself to paying compensation if it fails to meet them. Ofgas has encouraged British Gas to deal more sympathetically with customers who cannot pay their bills. Partly as a result, the number of disconnections dropped from 60,000 in 1986 to 16,000 last year.

But Sir James's approach to his role has brought him into conflict with British Gas, which says he has damaged its business. Investors, too, are wary of Sir James's motives: "The City tends to see him as a demon with two horns and a pitchfork," said one shareholder.

Sir James's pricing formula limits price rises to 5 percentage points below the rate of inflation, compared with a limit of 2 percentage points below inflation set by the government at the time of privatisation. The effect of the new formula will be apparent in two weeks, when British Gas announces its results for last year – the first year in which the new, tougher pricing formula was in place.

Gas industry observers say that the new pricing system will play a big part in reducing profits to between £850m and £900m, compared with £1.16bn in 1991. Analysts have already cut their estimates of dividend growth at the company to little above the expected rate of inflation from this year to 1997 – when the pricing formula is to be reviewed again.

Sir James argues that the fall in profits is more a result of the effects of recession on demand and last year's relatively warm weather than of his pricing regime.

He believes that profit levels could be maintained, even under the new system, if British Gas improves its efficiency through cutting jobs and raising productivity.

Investors are also concerned that Sir James's tough regulation of the company in the UK has forced it to expand overseas. As its UK profit base comes under pressure from regulators and increasing competition, British Gas is looking to diversify into oil and gas exploration abroad and in international gas distribution.

> **The more it diversifies overseas to escape UK regulation, the more risky its business becomes**

The worry is that this profit flow is riskier than the company's core UK business. "Investors are somewhat concerned about diversification into Global Gas [British Gas's overseas gas distribution arm]," said Mr Nick Antill, analyst at Hoare Govett, the UK stockbrokers.

But Sir James is not the only regulator to erode the company's core UK business. It is the Office of Fair Trading, for example, that is forcing British Gas to surrender 60 per cent of its industrial market to rival suppliers by 1995. This market, which involves the supply of gas to businesses, is one of the company's biggest revenue sources.

Sir James's influence on the industrial sector of British Gas's business is restricted by law. This is because the government expected the deregulation of the gas market after privatisation would itself encourage competition in the industry.

But when competition failed to develop – partly because of a shortage of gas supplies available to British Gas's rivals – it was left to Sir James to prompt the Monopolies and Mergers Commission and the Office of Fair Trading to seek ways of promoting competition. This resulted in both regulators imposing various measures on British Gas since privatisation, and leaving Sir James to decide whether they had been effective.

It is a system with which Sir James himself is not happy. He recently denounced the OFT's demand that British Gas give up most of its industrial market as "impossible".

It is one of the few views he shares with British Gas. "The problem is that there is no cohesion between regulators and, with them acting independently, they could totally screw up the whole financial future of the company," said Mr Cedric Brown, British Gas chief executive.

The two main demands made on the company – the reduction of prices and the surrender of a large part of the industrial market – were one of the principal reasons behind British Gas's decision to request a review of its business by the Monopolies and Mergers Commission last August.

The review, which is due to be published in July, should give British Gas some clear indications of its future course. Mr Brown is hoping it could prompt a radical rethink in the way the gas industry is regulated.

Even from within the consumer lobby, there is now some desire for change. Mr Ian Powe, director of the Gas Consumers' Council, believes the ground has shifted and that, while Sir James's combative approach has reaped "tremendous benefits", there should now be room for a more constructive dialogue between British Gas and Ofgas. "British Gas does understand the significance of regulation now and it is possible for Ofgas to work more closely with the company."

Sir James maintains that his style of regulation is necessary to control British Gas, and that a difficult relationship is to be expected between a regulator and a monopolist. But even he may welcome a respite. When announcing his decision to step down, he said: "It is a bit like banging your head against the wall; it's nice when you stop."

Joe Rogaly

The way out for Major

If all else fails, trim your sails. Mr John Major's cabinet is guided by the thought expressed in that little couplet. It is what gets the prime minister through the night. But how to trim? It is easy to commandeer taxpayers' money to pay for wasteful but politically popular hospitals, coal mines or army regiments. It is not so easy when what is at stake is a matter of principle, as with the bill to ratify the Maastricht treaty. Yet as I shall suggest in a moment, there is always something.

Consider. Parliament has been told that it must accept or reject the totality of what was agreed by the 12 European Community governments in December 1991. That includes the bit regarded by the prime minister as his personal triumph – the protocol on social policy. According to that celebrated excuse-note, 11 of the member states – but not Britain – are anxious to adopt the no doubt admirable but costly employment practices laid down in the 1989 "social charter", which gives various rights to employees and imposes numerous obligations on employers. An agreement on this social policy, applicable only to the 11 countries that want to implement it, is appended.

Labour says that it wants the terms of that agreement to apply in Britain, so it has put down an amendment that would write the protocol out. The Liberal Democrats concur. Both parties appear to imagine that what will follow if Labour's amendment is carried will be a brief recall of the 12 EC governments, upon which Mr Major will shrug his shoulders, say "that is what parliament wants" and sign a new treaty that commits Britain to a Continental-style social policy. There is a certain inconsistency here. Under Mr John Smith's guidance Labour is distancing itself from the more expensive forms of social democracy practised in northern Europe. Labour's leader may one day find the social charter a shade too far to the left for the image that he is trying to project.

The Conservative Euro-sceptics have a different problem. They see the social charter as a characteristic manifestation of the kind of socialism that would be imposed on Britain by a European super-state. Yet they are suggesting that they will vote for the Labour amendment, on the ground that there is no danger of the prime minister renegotiating the treaty to include the social policy. Some believe the consequence would be that the whole enterprise would be scuppered. This interpretation has been endorsed by Mr Douglas Hurd, who has intimated that if the ratification bill is not passed in its original form, social opt-out included, the treaty will be dead.

> **John Major cannot afford to lose the vote on the social charter amendment, so he might consider making a promise**

All of these players are bluffing. Labour and the Liberal Democrats will have trouble keeping their most enthusiastic pro-Europeans in line if it looks as if a vote for the social policy amendment will kill the bill. Mr Smith himself does not want to become known as the man who sank the treaty. The Tory Euro-sceptics in the Commons are ducking and weaving in order to keep their opponents – their fellow Conservatives on the government benches – guessing. Mr Hurd cannot seriously contemplate walking away from the Maastricht treaty.

In short you could say that what we have seen this week has been nothing more than a round of parliamentary games. When the vote on Labour's amendment comes, next month or in April, the number of Conservative rebels will be kept below the 11 needed to defeat the government if all opposition MPs turn up and vote the same way. Alternatively, there may be more rebels but the opposition ranks will not hold firm. There is nothing to worry about.

This is probably true, but nobody can be sure. A good trimmer always has a contingency plan, as Mr Major demonstrated on November 4. That was the night on which he survived by three votes, bought by a promise to put off the third reading of the Maastricht bill until after the Danish referendum. Better a postponed ratification than no treaty, the foreign secretary explained afterwards, blushing slightly. What Mr Hurd meant was, better a positive vote than no European strategy, no economic strategy, no prime minister and no Conservative government.

The same equation will apply if there is a similarly close final vote on the social charter amendment. The prime minister cannot afford to lose. If he did suffer such a calamity he would become Mr John Nothing. His talk of placing Britain at the heart of Europe would sound empty. He would be adrift on the economy, adrift on sterling, adrift on Europe, adrift before the electorate.

It is here that my suggestion comes in. The Euro-sceptics would trade their loyalty for a referendum. It is true that Mr Major cannot decently give them the kind of immediate popular veto over ratification that they are asking for. To do so he would have to eat more words than he has been accustomed to consuming at a single sitting. He might choke. So no referendum now.

A referendum later, much later, might be easier to swallow. Mr Major could say that the contents of the treaty are too complicated to be expressed as a single question, and that anyhow no serious constitutional issue arises from accepting the treaty as it stands. He would be right. The political arrangements settled at Maastricht do not constitute a step towards a European super-state.

The move to economic union is, however, another matter. If Britain does exchange sterling for a single European currency, managed by a single central bank, it will have handed important responsibilities to an outside authority. Maastricht allows Britain to opt in or out of such an arrangement. *There is a case* for a referendum on *that*. The vote need not come much before 1996 at the earliest and, the sceptical side of Mr Major may tell himself, it may not happen at all, at least not in the present century. The prime minister would have to say that he could not bind future parliaments, but that his government would recommend a popular vote if the question was whether Britain should enter a single-currency union.

If the proposition was put to him this morning, he would reject it. His natural hope must be that there will never again be as close a vote on a European matter as there was on November 4. But suppose there is, and suppose that the clock stands at a few minutes to midnight?

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Fallacy of conditions for Emu

From Mr Alan Shipman.

Sir, Frequent reference is made to "Maastricht treaty limits" of 3 per cent of gross domestic product for budget deficits, and 60 per cent of GDP for public debt – which, together with conditions for inflation and interest-rate convergence and exchange-rate stability, are supposed to precede any early move to European monetary union.

Although agreed at Maastricht in 1991, these conditions are not written into the treaty. Article 104c refers to "reference values" for government deficits and debts. The protocol on convergence criteria sets relative target ranges for inflation and long-term interest rates, but leaves it up to the council to define "excessive deficits". This definition need not be finalised until January 1 1994.

With all but two ERM countries currently breaching the limits, some for good reasons, an opportunity remains to revise them upwards. The treaty is being accused of enshrining rigidities it does not contain.

Alan Shipman,
793a Harrow Road,
Kensal Green,
London NW10 5JX

US punitive damages legally complex, but fair in concept

From Mr T G Nelson.

Sir, The US system of punitive damages is a complex legal maze and is further convoluted by differences which exist throughout the 50 states. However, the fundamental concept is simple and fair.

The system provides a straightforward procedure wherein an inanimate, but irresponsible, corporation's behaviour can be addressed by punishing it to a degree commensurate with its irresponsibility and proportional to the sufferings produced. Hopefully, such punishment will discourage the reoccurrence of such behaviour.

In addition to the points Robert Rice made in his article, "The high cost of damaged goods" (February 9), he should also point out other important issues of US product safety and liability law. One, warranty and strict liability, are quite distinct from negligence in that corporate behaviour becomes the key question of negligence. Second, throughout the US, punitive damages are on average four to eight times compensatory damages and there are in fact very few large punitive damage settlements and very few where this ratio becomes skewed. Also, punitive damages are not insurable.

Third, many *unreasonable* punitive damage awards by juries have been immediately reduced by presiding judges or later on appeal.

Perhaps most important is the cultural differences reflected in our laws. One example is the concept of foreseeable (although unintended) use of a product. If you manufacture screwdrivers you should ensure their safe use and function as pry bars. If you don't, you can be held liable for injury for such a foreseeable use.

However, with equal importance to the issues of product liability, negligence, and other legal nuances, European managers contemplating or now doing business in the US should also be aware that many new laws have been enacted specifically to address corporate and managerial behaviour concerning the environment and employee safety. Specific penalties for endangering and injuring employees have resulted in incarceration and substantial fines to corporate managers and officers.

Yes, it is a dangerous world out there.

T G Nelson,
vice president,
Racine Federated Inc,
2200 South Street,
Racine WI 53404, US

Right way to achieve settlement on Cyprus

From Mr Övül Tezisler.

Sir, Your editorial, "Cyprus choice" (February 4) contains in itself a train of thought which is not conducive to a political settlement on the island.

The aim should be to help both sides to come to terms with each other's vital concerns and this should be achieved through freely conducted face-to-face negotiations. The ensuring settlement must be acceptable to both sides.

The settlement should not aim, as is suggested by your leader, at cornering one side or the other.

Övül Tezisler,
president,
Turkish Journalists Association in London,
First Floor, Suite 5-6,
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London W1R 5AB

Daf: effectiveness of broad view and consensus from bankruptcy

From Mr Laurens van den Muyzenberg.

Sir, Throwing good money after bad by supporting lame ducks looks like a bad policy. Or as your leader, "Dutch courage" (February 8), states, supporting "commercial misjudgments on the scale of those at Philips plainly takes a broad view of economic utility". Somewhat surprisingly the Dutch industry has fared better than that of the UK, starting from a much weaker base. Could that be because other factors compensate for the lame duck support policy? Or perhaps the UK government saves money by not supporting lame ducks but unfortunately does not spend the savings on strong ducks. Of course, it is hard to predict what will be a permanent lame duck. Almost every enterprise at some point appeared a lame duck. When employment is in decline, a broad view of economic utility may be highly effective.

Laurens van den Muyzenberg,
management consultant,
11 Charles Street,
London W1X 7HB

From Mr Vic Heylen.

Sir, After three years of heavy losses and three agonising weeks for Daf employees, Daf management called in the receivers and asked for protection against its creditors.

It took the receivers two days to arrive at the conclusion that Daf as a truck maker has a viable future. But only under the form of a new, leaner company, concentrating on its core business: the design, development and production of trucks.

The Dutch minister of economics was so impressed by the receiver's findings that he not only agreed, but promised to support the new venture financially. So why during three years of declining sales and losses did Daf's own management fail to come up with a plan for restructuring, similar to the one which the receiver managed to put together in two days?

The answer is simple. Daf management would never have been able to reach a similar consensus, either with the unions or the government, without the real threat of imminent bankruptcy was hanging over its head.

Vic Heylen,
Analyse Auto bvba,
Antwerp,
Belgium

No shortage of government support for projects in Leeds

From Baroness Denton of Wakefield.

Sir, As minister with special responsibility for Leeds and Bradford, I was very pleased to see your special feature on Leeds on January 28. However, Stewart Dalby's article leaves the impression that the city is not getting support from central government.

Nothing could be further from the truth. Recently, Tony Baldry, housing minister, announced government support for one of the largest ever housing estate action packages – worth £63m. The housing improvement plan will link in with training and crime prevention measures.

The government is also channelling resources to housing associations in the city at an annual rate of some £20m as well as providing the council with spending allocations of some £25m on its own stock.

As your other articles make clear, the government has so far invested some £39m in the Leeds Development Corporation, which has levered in three times that amount in private sector support and has generated thousands of jobs. The government has also pledged £20m to help develop the new museum for the Royal Armouries in Leeds.

Following the Autumn Statement, we announced a £32m package of road and transport measures, on top of resources for the Leeds/Bradford rail electrification.

A major boost has been given to Leeds hospitals with the Department of Health approving expenditure of £11m at Chapel Allerton and £70m for phase 1 of the redevelopment of the Leeds General Infirmary.

The list goes on, but there are limits on your space. It all amounts to very substantial help from the government.

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FINANCIAL TIMES
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Friday February 12 1993

How to raise UK taxation

NO BRITISH government has the credibility to pile up liabilities at the rate of some 10 per cent of gross domestic product for very long. This is the main reason why the chancellor has to act on the structural fiscal deficit both decisively and soon. The question facing him can only be how best to start closing the gap.

The amount by which the structural budget needs to be improved over the next few years is some £15bn-£20bn (2½-3 per cent of GDP). Not entirely coincidentally, £20bn is also roughly the amount by which the government's new "control total" – the non-cyclical element in public spending – was allowed to rise, in 1991-92 prices, between 1990-91 and 1993-94. Almost all of the adjustment will have to come from taxation rather than lower public spending. The review of public spending announced by Mr Michael Portillo this week may well prove important, but only in the longer term.

Ideally, the chancellor would announce a substantial proportion of the £20bn adjustment in March, but postpone implementation to January, after the second Budget of the year, or 1994-95. An adjustment of £12bn (2 per cent of GDP) would be a useful start.

How might such sums be raised? The main instruments would have to be income tax, value added tax and national insurance, which now account for 26, 17 and 17 per cent of total revenue, respectively.

Increasing the basic rate of income tax to 30p would raise £8.3bn in a full year. Increasing higher rate to 50p would raise £3.3bn. Either would also create hysteria on Mr Lamont's backbenches. This is a pity, since nothing could better demonstrate the absurdity of wanting both higher public spending and lower taxation. Eliminating mortgage interest relief on housing – for which there might never, given current low interest rates, be a better opportunity – could raise £4bn-£4½bn.

There are more covert, though longer-term, ways of raising revenue from income tax: one, notes the Institute for Fiscal Studies, is non-indexation of the basic rate limit, which would push more taxpayers into the 40p band. This could raise an additional £1.7bn in 1992-93 prices by 1996-97. Also progressive would be restricting all allowances to the basic rate, which would raise £1.3bn in one year. A more regressive move would be to freeze all allowances, which would raise £1bn.

£10.7bn could, says the IFS, be raised by imposing standard-rate VAT of 17.5 per cent on expenditures that are now zero-rated. A uniform VAT would be economically more efficient than the present diversity. Announcement of future increases in VAT would bring spending forward as well, though this effect would be modest, since most zero-rated items are perishable. But increasing VAT on this scale would raise prices by 3.7 per cent. It would be politically explosive as well and require compensation for those on low incomes.

National insurance contributions are little more than a regressive income tax. If Mr Portillo's review does, as it should, obliterate the contributory principle, it might become possible to merge national insurance into income tax. In the meantime, substantial sums – up to £2¼bn – could be raised by eliminating the present anomalous upper earnings limit on national insurance contributions.

This is, unfortunately, no time for fine-tuning the fiscal system. It is not, given the amount of money that must be raised, even one for imaginative fiscal reform. It is a time for plucking the geese as efficiently as possible. The government will have to announce its intention to raise large sums by a mixture of higher taxes on spending and higher taxes on income. It will not be much fun. But it has to be done.

This is the third in a series of leaders on the March Budget

Trading east

THE FIRST annual economic review of the European Bank for Reconstruction and Development provides a chilling perspective for western Europe's pessimists. While economic conditions are difficult in the European Community, they are many times harsher for its eastern neighbours. While strained economic relations are making trading condition difficult for members of the European exchange rate mechanism, the almost complete breakdown of monetary relations to the east has meant an accelerating collapse in trade and output in the republics of the former Soviet Union.

All is not completely bleak. The first casualties of the demise of the former Soviet Union were the countries of eastern Europe. Heavily dependent on Soviet trade, they were devastated by the shift to hard currency settlement of trade with the then Soviet Union in January 1991 and the 63 per cent fall in Soviet imports that followed. But Poland, after three years of falling output, is on the verge of economic growth while the Czech Republic and Hungary have also shifted successfully to current account convertibility, and re-oriented their economies towards western markets.

Sadly, the main obstacle to export-led growth in eastern Europe is now western Europe's unwillingness to accept free trade. But even if the EC, in a fit of uncharacteristic enlightenment, were to open its markets to eastern products, the plight of the republics of the former Soviet Union would remain dire. Heavily dependent on each other for the large majority of trade in oil, raw materials and industrial components, they have little chance of surviving independently.

Rebuilding close economic and trade ties between the republics is a pre-condition for the success of economic reform. But the EBRD is right to argue that the western pressure to hold the rouble zone together was misguided. The inflationary and fiscal tensions produced by the effort to maintain it are largely responsible for the deterioration in monetary relations between the republics, the reversion to bilateral trade agreements and crude barter arrangements, and the collapse in trade and output.

The former Soviet republics should, instead, be building a multilateral clearing system, with western support, in order to finance trade and allow Russia to raise oil prices to world levels, without provoking balance of payments crises. A common currency is not needed for a revival in inter-republican trade. At present, it is having the opposite effect.

GM's signal

FOR ONCE Corporate America can feel grateful to the Financial Accounting Standards Board. By requiring companies to account more prudently for healthcare costs, it has obliged them to send a powerful signal to Washington just when Democratic politicians are itching to have companies provide new mandated social service benefits. No doubt General Motors had good financial reasons for writing off $21bn at a stroke, instead of spreading the cost over 20 years, as the FASB also permits. But the announcement of such a huge write-off, coming alongside similar, if smaller write-offs, at Ford and other corporate giants, is a timely reminder that healthcare insurance imposes a substantial employment tax on US companies.

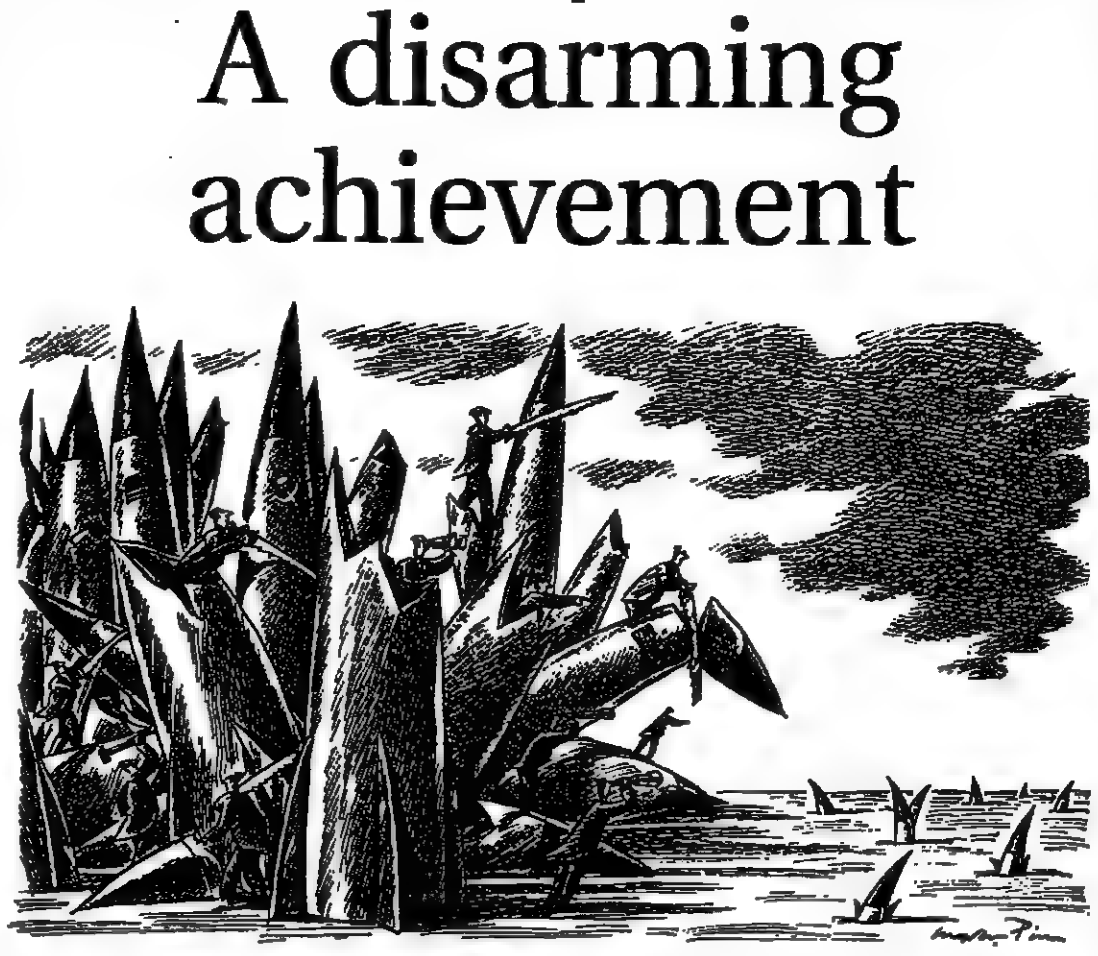
Healthcare costs in the US are about 50 per cent higher than the international norm at 12 per cent of GDP. The system relies heavily on employers to provide health insurance. The result of this explosive combination can be seen in the transformation of the motor industry's cost structure: Ford now spends as much on medical care as on steel for its vehicles. The financial burden falls heavily on mature industries, since they have a larger population of retired workers to support. Meanwhile many employees of small businesses, which cannot afford large bills for healthcare, go uncovered.

Against that background it is hardly surprising that big American industry has become an impressive exporter of American jobs. In an increasingly global labour market, excessive healthcare costs are a competitive disadvantage. And small business, the chief engine of job-creation in the US over the past decade, worries about the potential cost of any future move to compel all companies to provide healthcare insurance. A radical break in the link between healthcare and employment is thus a challenging priority for the Clinton administration.

The problem for big US companies is not unique. High social costs in the German motor industry are causing jobs to disappear eastwards. Even in Japan, where on Tuesday the government formally asked industry not to shed labour, the lifetime employment system is imposing a pressing cost burden in the worst recession since the first oil shock. But Toyota this week was reporting declining profits, unlike GM, which was cheered at the prospect of reducing its losses. Ultimately, the quality of the cars is vastly more important than the relative burden of social costs.

The next big challenge for arms control is to stop the proliferation of nuclear weapons, writes **David White**

A disarming achievement



For the first time in 20 years, diplomats in Geneva and Vienna have no new arms control treaty on their agenda.

Delegates stay on, working to tidy up existing pacts and put them into practice, carrying on discussions on a set of disarmament topics – but no longer with any mandate to negotiate treaties.

That phase is over. There has never been a period for arms control such as the one accompanying the end of the cold war. The old east-west adversaries are now concentrating on the challenge of carrying it all out and trying to mend the holes in the arms control web which could lead to new threats, including the threat of nuclear missiles, from developing countries.

Last month's convention outlawing chemical weapons – an ambition of the international community since the end of the last century – was the last of an extraordinary series. In just over five years, three treaties between the nuclear superpowers and four wide-ranging international agreements have been concluded. Five of these pacts involve actually destroying weapons and monitoring their destruction.

The first to break this new ground, the US-Soviet Intermediate Nuclear Forces treaty, obliged both countries to destroy all their medium-range ground-to-ground missiles. Within a month of finishing the job in 1991, they signed the first Strategic Arms Reduction Treaty (Start), the culmination of a long, interrupted negotiating process. In January this year, with that treaty not yet in force, they overtook it with the more radical Start 2, aiming at a two-thirds reduction in their long-range nuclear arsenals.

Wrecking of more mundane weapons, such as tanks, began last year under the Conventional Armed Forces in Europe (CFE) treaty, which Nato and the Warsaw Pact completed in 1990. Verification clauses allow these countries and successor states to pry into one another's military affairs on a scale beyond the dreams of any cold-war spy. The Open Skies treaty signed last year means they can also carry out surveillance flights over each other's territory. These accords were followed by agreement on the missing element in the CFE deal, manpower ceilings, a subject that arms control negotiators had often despaired of resolving.

All these negotiations began when the main concern was lowering east-west tensions. Political upheavals in eastern Europe assisted the process, but also robbed the agreements of much of their impact. The ceilings set in CFE are now largely artificial. For their own budgetary reasons most participants on both sides are making deeper cuts.

No new categories of weapons have been identified for extending the process. The idea of bringing general-purpose naval forces into the arms control net has always been resisted by Nato – on the grounds that the western alliance relies ultimately on Atlantic sea-lanes – and Moscow appears to have stopped pressing its case.

Since it is no longer possible to talk of an east-west balance, the framework which served for drawing up the CFE treaty is no longer available. There was much talk of a CFE 2, but the process stopped at the manpower agreement known in the jargon as CFE 1a. The CFE treaty was the first between the members of Nato and the Warsaw Pact; CFE 1a was the last.

Reluctance to move further along the path of negotiated disarmament is also partly a reflection of the amount of work needed to implement existing agreements and the serious question of how countries such as Russia and Ukraine can cope. Surplus armoured vehicles, artillery weapons and aircraft covered by the terms of CFE have to be destroyed in the next three years. Nuclear cuts are spread over 10 years. The US is anxious to speed them up but Russia cannot do it without help.

Many arms control experts favour further nuclear cuts. But US officials have indicated that any follow-on would be some years off.

At the height of the Start talks, chief negotiators were meeting every day, alternately at the US and Soviet missions in Geneva. Later they flew in on intermittent visits. Now the US delegation discussing nuclear and space issues no longer has an ambassador.

Under the umbrella of the 39-nation UN Conference on Disarmament in Geneva, which produced the hard-won chemical pact, committees continue to discuss subjects such as radiological weapons, of which none are known to exist, and a permanent ban on nuclear tests, for which the US, Britain and France are not yet ready. One panel is charged with a "comprehensive programme of disarmament", but that committee is dormant.

Last month's convention outlawing chemical weapons was the last of an extraordinary series

In Vienna, consultative groups work on implementation of the CFE and Open Skies accords. In the same room in the Hofburg palace where negotiators spent 15 years up to 1989 failing to agree on mutual force reductions in central Europe, the 53 countries now belonging to the Conference on Security and Co-operation in Europe attend a Forum on Security Co-operation, devoted to confidence-building measures.

But the priority for western governments has shifted. The main focus now is on stemming the proliferation of nuclear and other weapons – a worry that has risen with the disintegration of the Soviet Union which, it is feared, could either spawn new nuclear powers or enable other countries to obtain weapons, materials or the know-how to produce them.

The Chemical Weapons Convention, due to come into force in 1995, will complete a series of treaties which already cover nuclear and biological weapons programmes. But some countries fall outside these agreements; most Arab governments said they would not sign the chemical convention as long as Israel got away with holding nuclear weapons. There is also concern about the scope for cheating within treaties, as Iraq, a signatory of the nuclear Non-Proliferation Treaty, did on a grandiose scale before the Gulf war.

The crucial event looming is the NPT review in 1995, when the treaty's 25-year span runs out. The review conference has to decide whether to renew it, for how long, and whether to amend it. A preparatory committee starting work in Geneva will focus on ways of tightening inspections to prevent illegal programmes such as Iraq's.

Efforts are also under way to find acceptable ways of monitoring the 1972 Biological Weapons Convention. British arms control officials hope that "managed access" procedures worked out for the chemical convention can serve as a model for the other two treaties.

Measures to curb proliferation of missiles were recently extended to cover weapons capable of carrying chemical as well as nuclear warheads. Since an informal Missile Technology Control Regime was set up in 1987, the number of industrial nations participating has grown from seven to 22, and several others, including Russia, have promised to follow its guidelines.

However, none of these regimes is watertight. The best that is hoped for is to slow down programmes by would-be proliferators and make them more expensive and more embarrassing.

Plans for sharing information about arms sales are seen as helping this process. "Transparency in armaments" has become a new buzzword. The first returns are due to be made this spring for a UN sales register, initially proposed by Mr John Major, the UK prime minister. But British officials make clear that curbing sales is not part of the aim.

After the 1991 Gulf war, talks were begun between the US, Britain, France, Russia and China on controlling supplies to the Middle East, or at least keeping a watch on them. But China pulled out after the US announced plans last September to sell F-16 fighters to Taiwan. It is unclear where, if anywhere, the talks will lead. Meanwhile the contracts flow in – ranging from the delivery of a Russian submarine to Iran to the recent £4bn-£5bn UK-Saudi deal including Tornado bombers.

Defence cuts at home mean that suppliers – and for that matter government armament programmes – rely increasingly on exports, and there is no sign that either western or former Warsaw Pact countries are prepared to deprive their arms manufacturers of this part of their livelihood.

Temptation that must be resisted

PERSONAL VIEW

Imagine that, in September 1992, sterling had been realigned within the exchange rate mechanism instead of floating out. Suppose that it had been pegged at about its present level of DM2.37 with either 6 per cent or even 2.25 per cent bands. Then one might conclude that there would have been little difference between the 2.37 peg and today's 2.37 float.

But this is not correct. If Britain were in the ERM, *and* the peg were credible, interest rates would have to exceed the 8.5 per cent of Germany – say, around 9 or 10 per cent or even higher if the market suspected further devaluation, compared with 6 per cent today. As for the French franc, the Dutch guilder and other ERM currencies, their interest rates remain dominated by Germany – as indeed was the UK's before September last. Britain would simply rejoin the club.

Interest rates of more than 9 per cent would prolong and deepen Britain's recession. The growth of all measures of the money supply would suffer a relapse. Indeed, it is likely that the money supply would actually fall. There would then be a serious risk of a widespread financial collapse. While it is painful but possible to work out the large overhang of debt in corporate balance sheets and household portfolios with interest rates below 6 per cent or so, rates above 10 per cent pose monumental problems. A domino-like collapse cannot be ruled out.

I suspect that the government knows and appreciates the disaster that would follow re-entry today. Indeed, the prime minister, Mr John Major, has ruled out early re-entry. But suppose that the hopes of the market are realised and that German interest rates are substantially reduced in the months ahead. Then would Mr Major be tempted in?

It all depends. But it is clear that, if and as the Maastricht bus rolls on, Mr Major will be under considerable pressure to rejoin the ERM. The negotiations for monetary union and the European (Monetary Institute) Central Bank will commence shortly after the ratification of Maastricht. Since the ERM is the only road to convergence and monetary union, it follows that the really serious negotiations can take place only among those who are in the core of the ERM and, perhaps, are within striking distance of achieving the conditions of monetary and fiscal "convergence" required for acceptance into the union.

I suspect the government knows and appreciates the disaster that would follow re-entry today

Ardent European that he is, Mr Major, egged on as always by those inveterate "joiners" in the Foreign and Commonwealth Office, will have a great incentive to participate in the ERM and be admitted to this exclusive club.

Of course, no great harm will be done to Britain *if* German interest rates fall to, say, 4 per cent at the end of 1993 *and stay there*. Then what has long been a persistent and large deviation between the interest rates required by the ERM and those needed for Britain's domestic economy will at last be small beer. But is it plausible? Will such harmony persist? More to the point, should Mr Major mortgage Britain's future on such a conjecture?

In my judgment, Bundesbank interest rates are unlikely to fall to these levels in the course of 1993. The persistence of inflationary pressures in Germany will keep rates high and they are unlikely to be less than 6 per cent by December 1993. The question then arises: will Mr Major be so pressurised by the need to be at the top ERM table that he will nevertheless risk aborting Britain's recovery?

One hopes not, but it would be foolish to believe that political priorities will not prevail. The best one could hope is that, by cutting interest rates, Mr Major will drive sterling down to such a level – say, DM2.00-DM2.20 – that, on entry to the ERM at that prevailing rate of exchange, the depressing imposition of high German interest rates will be largely offset by the boost to the economy of such a low exchange rate.

I would not, however, suggest that this is a likely stance for the government. The French and others would complain bitterly about "competitive devaluation" and the FCO, as well as the Treasury, would soon call a retreat.

I conclude that, to secure his seat at the top Emu table, Mr Major is likely to attempt re-entry into the ERM during the next year. One hopes for a less disastrous run than that which we endured in 1987-92, but it would be foolish to expect it.

Alan Walters

The author is vice-chairman of AIG Trading Corporation

OBSERVER

Off with the motley

■ Few resorts have seen tourism collapse so much in the last few years as has Rio de Janeiro. Petty crime is now so common there that the US Traveller's Advisory Service warns visitors not to walk in the streets at any time.

The city's new administration is hard at work with hotel-owners on a remedial campaign. Its main emphasis is on repolishing the image of the *Cidade Marvilhosa* (marvellous city), largely by claiming the situation to be exaggerated by foreigners.

Hence the authorities' horror on hearing of the display to be mounted on one of the giant floats in next week's Carnival parade, the city's main annual attraction. The theme, presented with great verve by the Caprichosos de Pilares samba school, is hapless tourists being not only robbed and assaulted by street children, but molested by transvestites.

Out went a formal protest from a furious secretary of tourism to the League of Samba Schools, fulminating about "profoundly bad taste", and trying to ban the offending display. But, brandishing the right to free expression, the particular school concerned is having none of it, and a legal battle is under way.

Oddly enough, last year there was a float depicting England, which consisted of a double-decker bus being smashed up by football hooligans and the like.

It raised no protest at all.

Baronial

■ When it comes to shareholders' ballots, Trafalgar House chief executive Allan Gormly acknowledges being akin to a trade union baron in the matter of commanding block votes.

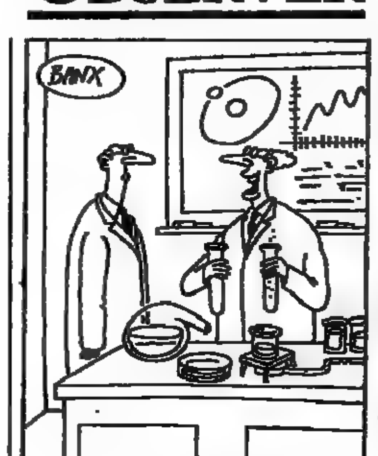
True, small shareholders may vote against the official line, as Trafalgar's did over the reappointment of Touche Ross as its auditors. But the massive votes of the institutions can be relied on to toe the line.

While Gormly admits the position is less than ideally democratic, that may nevertheless be as well – especially with shareholders being asked to approve yet another rights issue.

Close to chest

■ Things must be coming to a pretty pass when stockbrokers dismiss stockbrokers. That is nevertheless what BWD Rensburg, the ambitious and quoted northern broking and financial services group, did yesterday in giving Crédit Lyonnais Laing the push in favour of James Capel.

Laing said that on the whole BWD looked after itself and the relationship was "never close".



'I've discovered an antidote to apple juice'

But a better clue to the distantness thereof was given by BWD chief executive Christopher Broadbent when he let slip that the sacking was prompted by "personnel changes" at Laing.

Apparently he didn't hear of them until a year after they'd been made.

Bulb push

■ Don't panic if you find your children staring fixedly at the ceiling. Likely as not they are carrying out a national light bulb audit on behalf of the government's energy efficiency office.

It's all part of a campaign, given a big push by BBC's Blue Peter TV programme yesterday, to save the planet from global warming by persuading the population to install energy-saving compact fluorescent lights (CFLs). The new bulbs' attraction is that they use only a third of the energy of the conventional product and last eight times as long. The snag is they cost 20 times as much.

Hence Britain's Lighting Industry Federation has scored an enviable marketing coup by persuading the BBC to boost its new product. It even managed to get the prime minister and opposition leader to agree about something on camera – that the bulb is a good idea.

Hard nut

■ Having helped Bill Clinton to beat George Bush, Stan Greenberg wants to do the same for Nelson Mandela and the African National Congress. The new US president's campaign adviser has offered to work for the ANC ahead of South Africa's first multiracial elections, expected next year.

Greenberg has a particular interest in the country; he was a visiting lecturer at Witwatersrand University, Johannesburg, for a year in the 1970s.

But ANC leaders, who've yet to decide on his offer, may still think his experience falls short of the task. After all, if the ANC is to win, it needs to crack problems far tougher than were Clinton's.

The first is getting people to register as voters; millions are illiterate with no experience of elections and little of democracy at all. A second is teaching them how to vote under the complicated proportional representation system. The knottiest is preventing violence from harming the party's chances.

Shielded

■ Now that the Queen has finally agreed to put her tax affairs in order, perhaps the Inland Revenue should sort out its relationship with Rouge Dragon Pursuivant, Arundel Herald Extraordinary, Clarenceux King of Arms and all the other hangers on at the College of Arms.

Back in 1549, King Edward VI let them off paying tax and although they do now give the tax collector a "free gift", equivalent to their tax payments, it is not very tidy. What happens, for example, if there is a dispute?

Tell-tale

■ Don't believe anyone who says Switzerland's great hero William Tell is just a myth. A mole in Geneva confides that the secret police are still keeping a dossier on him....

And having now completed, with readers' help, the promised week of Swiss jokes, Observer feels almost up to the supreme challenge – a day of Swedish jokes.

FINANCIAL TIMES
Friday February 12 1993

Delors attacks 'wildcat' currency devaluations as eroding ERM

By Lionel Barber in Brussels

MR Jacques Delors, European Commission president, yesterday launched an attack on "wildcat" devaluations which were undermining confidence in the European exchange rate mechanism.

Without naming the UK, Mr Delors said he believed a system of relatively fixed exchange rates – like the ERM – offered greater advantages than floating exchange rates. Currencies which left the discipline of the ERM and floated freely raised "serious questions" about the future of the European Monetary System.

At a news conference in Brussels, Mr Delors stressed that there was nothing wrong with realignments within the ERM if there were fundamental economic divergences between members. But it was important that adjustments were carried out within the ERM in the presence of EC finance ministers, rather than "a wildcat act done at the drop of a hat".

The Commission president's comments underline lingering resentment in Brussels over Britain's unilateral withdrawal of sterling from the ERM during last September's currency crisis, and concern over the unsettling effect of a floating pound on other currencies in the ERM.

However, Mr Delors declined to join charges made in Bonn and Paris that UK financial institutions were engaged in a plot to undermine the ERM and prevent the creation of a single European currency to rival the dollar.

"I have no information, but that does not mean to say others have no information. I cannot confirm or deny," he said.

Chancellor Helmut Kohl of Germany last week accused unnamed forces of seeking to "torpedo" the EC's drive for monetary union by the end of the century by speculating against individual currencies.

And Mr Raymond Barre, former French finance minister, said certain people in economic and financial circles were determined to prevent the creation of European economic and monetary union and "blow up" the EMS.

Mr Delors said that he had studied the recent turbulence in currency markets. He believed the ERM needed to be strengthened, and the second stage of Emu leading to fixed exchange rates for currencies meeting strict economic convergence criteria should be prepared very carefully.

The Commission president again ruled out the option of a small group of strong currencies led by France and Germany moving on a "fast-track" to Emu outside the Maastricht treaty.

Tietmeyer on parities, Page 2
Joe Rogaly, Page 12

Leyland Daf receivers say a strike would force closure

By Kevin Done and Robert Taylor

THE receivers for Leyland Daf warned the company's 5,500 UK employees yesterday that any industrial action to try to halt redundancies would force the closure of the entire company.

Workers at the Leyland Daf plants in England and Scotland were balloted yesterday on possible strike action in a last-ditch move by the unions to try to strengthen their ability to negotiate better redundancy terms.

Mr Murdoch McKillop, one of the joint administrative receivers, warned in a letter to all employees that the alternatives facing the company were "either to save cost by actioning the redundancies or to close the whole business down".

The receivers said the workforce would be cut "in the near future" by 30 per cent across the company, implying the imminent loss of around 1,650 jobs.

Mr McKillop warned that "if there is strike action then all 5,500 jobs with Leyland Daf will most likely be lost with a knock-on effect to suppliers."

Leyland Daf is the UK subsidiary of Daf, the beleaguered Anglo-Dutch commercial vehicle maker, which collapsed into receivership last week with total debts of more than Fl3bn ($1.66bn) and after running up losses of more than Fl800m in the past three years.

The company has a total workforce of 12,650, and the Dutch administrators for Daf in the Netherlands warned earlier this week that more than half of the 6,500 jobs in the Netherlands and in Belgium would have to be cut.

Workers at all the UK's Leyland Daf plants agreed by substantial majorities at mass meetings yesterday morning to hold immediate secret ballots to win support for possible strike action against the company in a move to try to strengthen the bargaining power of the workforce in achieving better redundancy terms.

The results of the ballots will be announced this afternoon.

The workforce is not expected to take strike action, but the unions have been advised that once any workers have been made redundant they cannot lawfully strike or pressurise the company in other ways.

Union leaders were aware after their talks with the receivers on Wednesday that redundancies were imminent, and decided to take co-ordinated action in a pre-emptive move to try to improve the redundancy terms of workers now facing dismissal in the first wave of job cuts.

Mr Karel van Miert, the European commissioner for competition policy, said yesterday the EC would investigate any government subsidies offered to bail out Daf. He said the EC had approved state aid for the motor industry in the past as long as the cash was matched by cuts in capacity.

He told the European parliament that his staff was monitoring plans to salvage the core Daf truck operations in a new company, New Daf.

He also raised the possibility of giving aid from the EC Social Fund to help alleviate the social consequences of Daf's collapse. "The Commission can intervene by means of the European Social Fund with measures designed to help employment stability and to develop new employment possibilities," he said.

Union leaders pointed yesterday to the startling contrast between the cash compensation redundant Daf workers will receive in the Netherlands and the amounts UK workers can expect now that the company is in receivership.

Mr Jack Adams, deputy general secretary of the UK's TGWU general workers union, said in Eindhoven yesterday, after a meeting with the Dutch unions: "It is disgraceful. Our workers face dismissal with no redundancy money from the company.

"Workers in Holland will get 70 per cent of their previous earnings for up to four years," he added.

Under UK law the sacked Leyland Daf workers will receive one week's pay for every year of service, funded by the state.

General Motors, Page 19

Britain takes first step to road privatisation

By Richard Tomkins in London

THE UK GOVERNMENT plans to hive off Britain's 10,500km national road network to an agency called Highways Command as a prelude to possible privatisation.

Tolls could be introduced on trunk roads as well as motorways to offset the £2bn ($3bn) annual bill for road building and repairs.

Confirmation of the plan came with the publication of the Transport Department's annual report yesterday, which lists Highways Command with some smaller departmental activities as a candidate for agency status.

The new body would take responsibility for all Britain's trunk roads and motorways. Although these account for only 4 per cent of the country's total road length, with the rest owned by local authorities, they carry 32 per cent of all traffic and 56 per cent of goods traffic.

At present all trunk roads and motorways are toll-free. However the government has said that a green paper to be published this spring will propose charges on these routes to help meet the cost of the road programme.

The strong cashflow from tolls would for the first time raise the possibility of privatising the network, either through an outright sale or through a form of franchising. Officials stress that the plans are at an early stage and no timescale has been set.

News of the proposals comes days after the approval by the German ruling coalition of plans to privatise its 11,000km autobahn network .

The plans have provoked a furore among German motorists because they would be accompanied by the introduction of user fees that would be put towards the cost of restructuring the heavily-indebted railways.

Although there are some privately-built toll roads in Europe, particularly in France, no country has yet moved towards the privatisation of all or part of its national road networks.

Britain has recently taken hesitant steps towards encouraging the private sector to design and build toll motorways, but so far these have made little progress. Only one project has yet been agreed and still has to go through the planning process.

Britain's road network will be the last significant part of the national transport infrastructure to remain in state hands when the planned privatisation of the railways is complete.

Critics of British transport policy have frequently suggested that the Department of Transport is biased towards roads because this is the only form of transport for which it retains executive responsibilty.

With roads hived off to a separate executive agency, the Transport Department would keep responsibility only for the strategic planning of the national road network.

There are already more than 80 executive agencies providing government services such as the payment of benefits and vehicle licensing. Each is headed by a chief executive who is given considerable freedom to manage the agency.

THE LEX COLUMN

Rights and wrongs

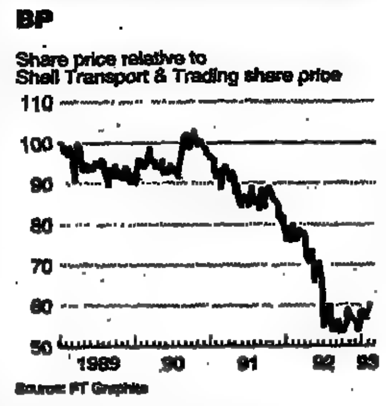
Trafalgar House's new management certainly has some gall. Barely a month after an annual meeting at which last year's accounts were signed off despite criticism from small shareholders of its auditors, it has discovered the need for a further £120m in provisions. It has come to the market for a £205m rights issue despite – or perhaps because of – its failure to dispose of assets at reasonable prices. The earnings outlook remains depressing. Shareholders tempted to swallow the argument that the rights shares carry an attractive yield are being bribed with their own money. This year's dividend will be paid from reserves.

The timing of such an opportunistic strike is explained by Hongkong Land's unusual option deal which commits it to buy shares at a rights adjusted price of 79p from a still anonymous counterparty. That both underpins the share price and means the counterparty is able to underwrite a large portion of the rights issue at a guaranteed profit.

Without the option deal the issue could scarcely have been underwritten in the market. But the deal expires in May and the share price will again become subject to fundamental influences. Investors who do take up their rights will be pinning their faith in Hongkong Land, which looks set to use the opportunity to raise its stake to 29.9 per cent. Its extra influence might help turn the company round but it will be a long struggle. Trafalgar might have served its shareholders better by persuading Hongkong Land to mount a full bid in the first place.

FT-SE Index: 2834.3 (+17.9)

BP



Source: FT Graphite

BP

The tide may finally be turning in BP's favour. The company stopped leaking cash in the fourth quarter thanks to lower capital expenditure and the reduced dividend. A modest repayment of bank debt was also possible in the second half, albeit at the expense of shrinking the business through disposals. Even so, Mr David Simon deserves credit for confounding the sceptics by raising £1bn from asset sales last year. With the nutrition business still up for grabs, this year's debt-reduction target looks in reach.

The company can expect little help from the cycle. Although the US economy is reviving, overcapacity in petrochemicals and refining are already causing pain as Europe slides into recession. Having taken the pain of restructuring ahead of its rivals, BP may now hold a competitive edge. The market is inclined to believe this bull case. A yield substantially lower than Shell is difficult to justify on the basis of yesterday's figures alone.

BP cannot yet make substantial inroads into its $15bn borrowings out of operating cash flow. While US interest rates are low that may not be a top priority. But if Mr Simon stays on track to reach his goal of $2bn profits by 1995, the dividend will soon be twice covered. If interest rates are then on an upward trend, he may be tempted into a rights issue after all.

BT

BT's third-quarter results yesterday revealed that an increasing number of Britons nattered to each other on the phone for the second successive quarter. This is good news for the UK economy; it is also encouraging for BT's shareholders. But investors are not yet going to be swept away with excitement given the two bigger forces tugging away at BT.

The first is the government's sale of another slab of up to 22 per cent of BT's shares which may now come in early summer. The government's brokers will try to tickle up BT's shares in advance. They have a plausible line to push. BT's prospective dividend yield has now converged with base rates. The company will generate considerable cash next year creating further scope for rapid dividend growth. BT's redundancy programme will ensure that operating costs remain static while revenues pick up strongly in recovery.

But investors may resist such enticements until the uncertainty concerning BT's much-rumoured talks with the US-based Electronic Data Systems has been resolved. If BT were to buy a stake, it would make sense to do so soon. The tumbling pound is increasing the costs of overseas investments. Such a controversial move may queer the government's pitch. But why should government funding needs get in the way of strategic decisions by a privatised company?

Forte

Forte has chosen a good moment to launch its £200m debenture. Lack of supply of long-dated paper allowed it to command a narrow 115 basis point spread over the equivalent gilt. By moving before pressure of Government borrowing pushes up absolute yields, it has secured 25-year money at little more than 10 per cent. That looks cheap compared with the cost of equity, assuming that Forte will start increasing its dividend again at some time over the next quarter century.

But the issue will still replace debt with debt. It is no substitute for a rights issue. If yesterday's 2 per cent rise in Forte's shares meant investors were reassured on this score, they were probably worrying needlessly in the first place. There are other reasons why Forte is unlikely to join the queue of companies seeking cash. One is its uncovered dividend. A rights issue would be difficult to market unless the payout were cut and rebased, which would in turn require sweeping changes at the top. So it is just as well for Mr Rocco Forte that the company's balance sheet is less stretched since the sale of Gardner Merchant.

UK economy

Those who believe that the government's sudden decision to cut interest rates last month was a slap in the face for the Bank of England will find little point in listening to what its new governor has to say about interest rates. But Mr Eddie George fought back last night - appropriately enough in Frankfurt, the Mecca of all independent-minded central bankers. By drawing attention to the Bank's inflation reports, he has served notice that he does not intend to submit quietly to attempts at monetary subversion. By saying there is little room for further adjustment, he raised the stakes some more. For a while, at least, the government will not be able to cut rates without an open rift with the Bank.

Delay mars achievements

Robert Graham examines the career of Bettino Craxi

IN AN IRONIC turn of the wheel of fortune Mr Bettino Craxi last night agreed to step down from the leadership of Italy's Socialist Party at a hotel within 500 metres of where in 1976 he was first elected to the post.

He took over a divided party and exploited its pivotal position in Italian politics as an ally of the Christian Democrats throughout the 1980s. But he now leaves a party rudderless, despised by the electorate and demoralised by the cumulative blows of the one-year-old Milan corruption scandal.

Mr Craxi has become the chief political victim of this scandal. He has now received six warrants from magistrates warning him he is under investigation for almost 50 instances of alleged corruption and illicit party funding from contract kick-backs. He was first urged to resign from the party and make way for new blood after the Socialists' poor showing in the April 4 general elections last year.

Fellow political veterans such as the Christian Democrat Mr Giulio Andreotti, who has been prime minister six times, and Mr Arnaldo Forlani, the Christian Democrat party secretary, saw the writing on the wall and stepped aside. But Mr Craxi clung to power and, as the scandal broke, saw this as a deliberate attempt to undermine him and his family. His brother-in-law, Mr Paolo Pillitieri, a former Milan mayor, was one of those charged with corruption early in the investigation.

By refusing to resign, he increasingly split the party and it became identified in public eyes as the political grouping least capable of renewal. In hanging on so long and refusing to resign when receiving his first warrant of investigation in December, he has brought increased discredit on the party. His protests of innocence have gone unheard.

This behaviour and abrupt decline in his reputation has obscured his earlier achievements. When he took over the party he saw the need to move to the centre ground of ideology, distancing himself from the party's long flirt with the marxist side of Socialism. He changed the party's symbol to a red carnation from the old hammer and sickle, and ditched the *Internationale* song. He realised he could use the party's small 12 per cent vote as a key to helping to Christian Democrats stay in power.

With his strong personality and subtle understanding of the corridors of power, he managed to convince the Christian Democrats to allow him to become prime minister in 1983. He was the first socialist premier and the first from Milan. He presided over a stable government lasting 1,058 days, the longest in post-war history. His other main achievement will be regarded as initiating a process to cut indexed wages – the *"scala mobile"*.

But Mr Craxi will also be remembered for consolidating and expanding the control of the ruling parties over the state apparatus. He permitted and encouraged a systematic division of the spoils of office, placing his men in key positions throughout the state apparatus. This meant that the benefits of the economic boom of the 1980s were squandered, public spending was allowed to grow unchecked and corruption thrived. It is precisely this system that lies behind his downfall.

Craxi quits in new blow to Socialists

Continued from Page 1

minister, yesterday went before the Senate to explain the consequences of Mr Martelli's resignation and pledge his government's determination to continue.

All parties listening to the prime minister appeared aware that it made little sense to force a government crisis until electoral reform had been approved.

The prime minister yesterday laid special emphasis on the urgent need for new transparent procedures for the much abused system of public works tenders. On Wednesday the 60-strong joint parliamentary commission agreed outline proposals for electoral reform which endorse the introduction of a first past the post system for most seats.

World Weather

		°C	°F
Ajaccio	S	15	59
Algiers	F	16	61
Amsterdam	C	1	34
Athens	S	12	54
Bahrain	S	19	66
Bangkok	C	33	91
Barcelona	F	14	57
Beijing	S	7	45
Beirut	C	11	52
Belfast	C	7	45
Belgrade	C	0	32
Berlin	C	0	32
Biarritz	S	17	63
Bombay	S	31	88
Bordeaux	S	13	55
Boulogne	C	3	37
Brussels	C	2	36
Budapest	S	6	43
Buenos Aires	F	30	86
Cairo	F	15	59
Cape Town	S	30	86
Caracas	C	26	79
Casablanca †	F	17	63
Chicago †	C	1	34
Cologne	S	4	39
Copenhagen	Fg	1	34
Corfu	S	13	55
Dallas †	S	7	45
Dublin	C	7	45
Dubrovnik	S	14	57
Edinburgh	C	5	41
Faro	F	16	61
Florence	S	15	59
Frankfurt	F	1	34
Geneva	C	1	34
Gibraltar	C	15	59
Glasgow	C	6	43
Helsinki	Sn	0	32
Hong Kong	S	[illegible]	68
Innsbruck	S	8	46
Inverness	C	6	43
Islamabad	C	27	81
Istanbul	Dr	4	39
Jakarta	R	31	88
Johannesburg	F	25	77
Lisbon	F	15	59
London	C	3	37
Los Angeles †	F	10	50
Luxembourg	C	1	34
Madeira	S	19	66
Madrid	R	9	48
Majorca	S	15	59
Malaga	Dr	13	55
Malta	S	16	61
Manila	F	31	88
Melbourne	S	28	82
Mexico City	F	21	69
Miami †	S	19	66
Milan	Fg	2	36
Montreal †	S	-17	1
Moscow	S	-11	12
Munich	[illegible]	0	32
Nairobi		–	–
Naples	S	14	57
Nassau	C	26	79
New Delhi	S	24	75
New York †	S	3	37
Nice	S	13	55
Nicosia	S	15	59
Oporto	S	16	61
Oslo	Dr	0	32
Paris	C	3	37
Prague	Fg	-2	28
Reykjavik	R	7	45
Rhodes	S	15	59
Rio de Janeiro	F	39	102
Rome	S	14	57
Salzburg	C	0	32
S'Francisco †	F	12	54
Seoul	S	6	43
Singapore	F	31	88
Stockholm	[illegible]	4	39
Strasbourg	C	3	37
Sydney	S	28	82
Taipei	F	22	72
Tangier	F	15	59
Tel Aviv	R	8	46
Tenerife	S	20	68
Tokyo	C	8	46
Toronto †	C	-10	14
Tunis	F	16	61
Valencia	F	12	54
Venice	S	12	54
Vienna	C	0	32
Warsaw	C	1	34
Washington †	S	1	34
Zurich	C	1	34

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

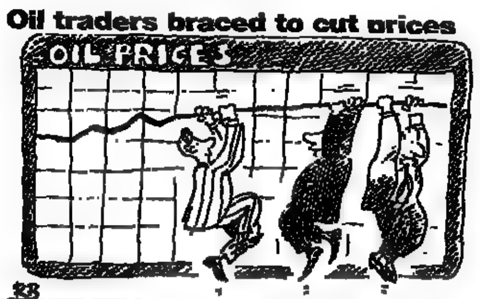
Friday February 12 1993

INSIDE

Lonrho falls 61% in line with forecast

Lonrho, the international trading group, reported a 61 per cent fall in pre-tax profits for 1992 in line with the forecast made before its recent rights issue. Pre-tax profits fell from £205m ($309m) to £80m on reduced sales of £3.87bn. Profits before extraordinary items fell from £90m to £8m. Page 22

Oil traders braced to cut prices



Oil traders will mark prices down if ministers from the Organisation of Petroleum Exporting Countries do not agree to cut output. Prices tumbled in the first quarter as market traders saw Opec nations were not sticking by their November accord to cut output, but have been stronger in recent weeks. Page 30

Havas in surprise 24% drop

Havas, one of France's most powerful media and leisure groups, revealed a surprise 24 per cent fall in net profits to FFr820m ($150m) last year from FFr1.03bn in 1991. Havas, which owns a number of prominent French businesses, lifted sales by almost 6 per cent last year. Page 16

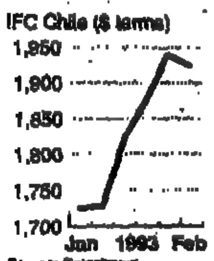
Ford unleashes credit card

Ford Motor, together with Citibank, followed the example of General Motors and launched consumer credit cards offering substantial discounts on Ford vehicles. The move will intensify competition in the US credit card market, where new entrants are challenging traditional card issuers with special offers. Page 17

National Semi fights death spiral

National Semiconductor was once a rough, tough US semiconductor company, driving down costs and prices and pushing up market share. But since the mid-1980s, it has been in decline and is now, according to Mr Gil Amelio, president and chief executive, fighting its way out of a death spiral. Page 19

Santiago soars to record



Source: Datastream

Santiago's stock exchange soared in January, after proposed capital market reforms promised to broaden the investment options of Chile's private pension funds and insurance companies. On one day, the turnover figure notched up a record $45.5m. Traders expect a surge of initial public offerings. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Gen Motors	40¼	+	1
Asko Pf	400	+	30	Sears, Roebuck	51⅞	+	1⅜
Linde	779	+	8.5	**Falls**			
Schmalbach	350	+	8	IBM	51⅛	−	1
Falls				**PARIS (FFr)**			
Beiersdorf	690	−	10	**Rises**			
Holzmann Ph	935	−	12	Bancaire Cie	462.7	+	12.5
Wella Pf	635	−	12.5	GTM-Entrepose	388.5	+	14.5
NEW YORK ($)				Gaumont	425	+	25
Rises				Radiotechn	306	+	23
Chrysler	41	+	¼	**Falls**			
Cummins Engine	84⅜	+	2⅞	Pernod Ricard	390.1	−	11.4
Ford	50	+	¼	Salimeg	456	−	10

Tokyo closed. New York prices at 12.30.

LONDON (Pence)							
Rises				Mayborn	164	+	27
Alphameric	25¾	+	4¼	Natl Home Lns	6	+	1¼
BP	277½	+	11½	PowerGen	306	+	10
BWD Sec	67	+	5	Proteus	433	+	23
Rutland Intl	1400	+	150	SmKl Beecham A	466	+	20
Cie de Comms	188	+	8	**Falls**			
Clinton Cards	131	+	5	Blagden Inds	135	−	5
Cinema	18½	+	3	Burndene	398	−	17
Euro Disney	946	+	33	Indl Control	145	−	7
Foulks	102	+	12	Sainsbury (J)	514	−	15
Glaxo	696	+	31	Sand Platform	38	−	5
In Tec Sports	60	+	6	Trafalgar Hse	76½	−	12
Incham	95	+	12				
Lowtho	82	+	7				

Regulator probes Bronfman debt links

By Bernard Simon in Toronto

CANADA'S financial services regulator has asked banks, trust companies and insurers to provide full details of their exposure to the vast industrial and financial empire controlled by Toronto's Bronfman family.

The request, made earlier this week, comes amid uncertainty in financial markets about the ability of companies in the intertwined Bronfman group to withstand recent problems at Bramalea, a property developer, and Royal Trust, Canada's second biggest trust company.

The Office of the Superintendent of Financial Institutions described the request as "a monitoring activity which should not be construed to shock".

The information, which must be provided by today, will be kept confidential.

According to banking analysts, Canadian Imperial Bank of Commerce and Toronto-Dominion Bank have the heaviest exposure to the Bronfman companies.

The group has not disclosed the full extent of its borrowings or off-balance sheet financing.

However, banks have stressed that the bulk of their outstanding loans are to publicly-listed operating companies, such as Noranda, the resources group, John Labatt, the brewer, and Bramalea and Trizec, the two property developers.

Some banks have already announced write-downs on their loans to Bramalea, which filed for bankruptcy protection last December with debts of C$5bn (US$3.9bn).

Royal Trust is seeking an infusion of equity from an outside financial institution.

However, outsiders' concern centres on the Bronfmans' inner holding companies, such as Hees International Bankcorp, Edper Enterprises and Pagurian.

In response to market nervousness, these companies have in recent months wound down virtually all their commercial paper programmes.

Noranda moved earlier this week to insulate itself from concerns about the strength of the rest of the Bronfman group by raising almost C$1bn from the sale by instalments of its 49 per cent stake in MacMillan Bloedel, the Vancouver-based forestry company.

Share prices of Noranda as well as other companies in the Bronfman orbit have rallied since the Macblo sale was announced.

John Gapper explains why the UK banking sector is now seen as a recovery stock

Bank shares set to shake off their dowdy reputation

British banks have three audiences to please: customers, staff and shareholders. In the past 18 months, they have angered customers by raising charges, and dismayed staff by cutting jobs. But these failures have been balanced by a remarkable resurgence in how shareholders regard them.

As the UK banks' full-year results season opens today with Lloyds expected to announce increased pre-tax profits of about £700m ($1.05bn), the banks are close to shaking off 20 years of share underperformance. The sector may hit parity with the FT-A All-Share this year for the first time since 1976.

This is partly because of the addition of HSBC Holdings to the sector following the takeover of the Midland Bank by the Hongkong and Shanghai Banking Corporation last year. Brokers calculate that the sector's ratio to the All-Share would drop from yesterday's 93 per cent to about 83 without HSBC.

But it also reflects a feeling that the worst of the bank's poor profitability since their peak in 1988 is behind them, and they are largely recovery stocks. Banks are expected to benefit further if Britain has entered a period of low interest rates, because loan risks will be reduced.

Shares have risen strongly since the interim results on hopes that full-year operating profits will reflect concerted efforts to cut costs, and raise income from sources other than loans. Banks' profitability has also been helped by the widening of loan margins as base rates have fallen.

This optimism seems strange in view of the size of provisions for bad and doubtful debts on lending in the 1980s. S.G. Warburg Securities expects a total bad debt charge of £6.3bn for Barclays, Lloyds, National Westminster, HSBC, Abbey National and Standard Chartered.

But Mr Nick Collier, an analyst at Morgan Stanley, says bad debts are largely on a downward cycle while rises in pre-tax profits this year will reflect a long-term strengthening of operating profitability. Banks are expected to approach their 1988 level of return on capital by 1995.

Results will depend on the two factors. A shrinking balance sheet is expected to cut profits before provisions at Lloyds, but also to reduce its bad debt charge. Barclays is expected to disclose a rise in operating profits on March 4, but is set to be taken into loss by a higher debt charge of more than £2bn.

Barclays' bad debt charge will attract the most criticism. The bank has suffered from appearing not to make provisions early enough compared with National Westminster. Mr Julian Robins, an analyst at BZW, argues that it could still be underprovided by about £1bn despite the rise.

Banks can at least take comfort in popularity among shareholders

Abbey National's bad debt charge is expected to double to around £320m because its lending is still largely based in the depressed residential housing market. Abbey's provisions will also reflect bad loans in France and Spain – a common theme in continental lending.

For other banks, operating income and costs will be the focus of attention. The most important element of income is likely to be charges. Because loan demand is not expected to recover in the depressed UK economy, non-interest earnings are vital to profitability.

"There will be pretty sluggish growth in interest income because of low lending volumes, and non-performing loans," says Mr Hugh Pye, an analyst at Robert Fleming Securities. But banks are expected to have improved non-interest income by raising charges, and selling more financial products.

Mr Terry Smith, an analyst at Collins Stewart, says banks have achieved "astonishing" rises in charges on business such as small corporate lending because of their customers' lack of bargaining strength in recession. NatWest's non-interest income is expected to rise by 9.5 per cent.

The other side is costs. Banks have made strenuous efforts to reduce overheads through branch closures and staff cuts. Those that took longer to make cuts had more scope last year. Mr Robins says Lloyds' headcount is already 18 per cent below its peak, compared with only 9 per cent below for Barclays.

In the longer term, share performance may depend as much on the strength of balance sheets – showing the banks' capacity to expand loans in recovery – as the profit figures. British banks are still well-capitalised, but they have been somewhat weakened by low dividend cover in the past two years.

Although they would remain comfortably within Basle capital ratios given anticipated levels of loan growth over the next two years, stronger expansion could strain ratios. Standard Chartered has strengthened its core tier 1 capital ratio by disposing of £200m of properties in Asia.

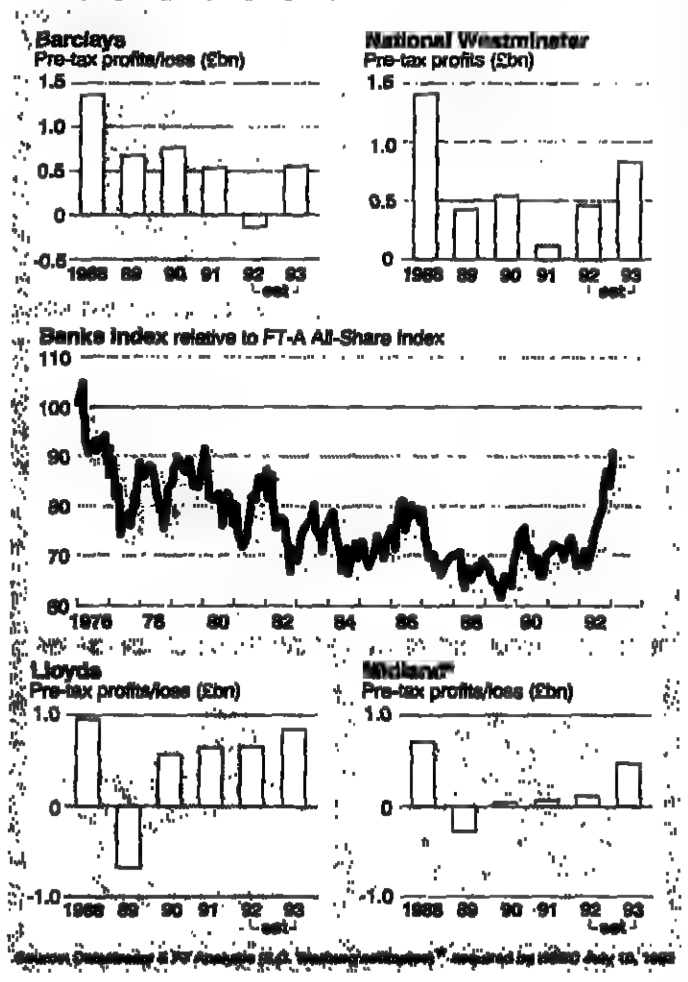
This has led to strong speculation about one of the banks making a rights issue soon. But most analysts believe this is unlikely until next year because of market disenchantment at the manner in which previous issues such as Barclays' £922m issue in 1988 went to poor-quality lending.

"I am sure they would like issues, but whether they could get away with them is another matter," says Mr Ian Poulter, an analyst at Yamaichi International. Market sentiment is also affected by the fact that Barclays could cut its dividend this year to reduce an anticipated retained loss of £600m.

Uncertainties of this kind mean bank shares are far from guaranteed to continue their outperformance. An unexpected rise in provisions, or poor performance in reining in costs, could easily disturb the market's confidence of the past six months.

Such uncertainties aside, the market appears to think the results will mark a break with the problems of 1989-91, and a phase of steadier profitability. The banks can at least take comfort in this new-found popularity among shareholders amid the chorus of criticism from others.

Bank shares rebound



Sears, Roebuck details its shake-up

By Karen Zagor in New York

SEARS, Roebuck yesterday revealed details of its restructuring plans, including a $4bn five-year capital expenditure programme for its stores and a 58.6 per cent cut in debt and deposits as the US retailer tries to regain its competitive edge.

Mr Edward Brennan, chairman and chief executive, said the company expected the share issue of 20 per cent of its Dean Witter Financial Services subsidiary to be priced and completed by the end of the month, slightly ahead of schedule. The level of interest in Dean Witter is "about as high as one could hope", he said.

The spin-off of the remainder of Dean Witter, which includes the profitable securities brokerage and Discover credit card operations, is expected to be completed by the end of the year.

Sears expects cumulative proceeds of about $3bn from the Dean Witter share issue and spin-off, a 20 per cent share issue of its Allstate insurance subsidiary and the sale of its Coldwell Banker property broker.

Mr Arthur Martinez, the former finance director of Saks Fifth Avenue who took the helm of Sears' retail operations from Mr Brennan in October, stressed the need to shift Sears retail strategy from a national approach to a more flexible regional approach. "We need to react on a market-by-market basis, not nationally," he said.

"We believe we have the best retail store locations at major regional malls in the country, which offer us tremendous growth potential. While a considerable amount of work has been done in our stores in recent years, much more needs to be done and at an accelerated pace." Mr Martinez is credited with deciding to shut Sears' loss-making catalogue business. Sears plans to spend about $4bn upgrading its US retail stores over the next five years.

Sears shares rose $1⅞ to a 52-week high of $51⅞ at midday. The stock was trading at around $41 before the demerger was announced in September.

Sears predicted an 11.5 per cent decline in revenue to $52.3bn after the repositioning, a 29.6 per cent drop in assets to $79.8bn and a drop in debt and deposits to $15.4bn.

It aims for a 15 per cent return on equity of about 15 per cent for 1993 from about 11 per cent on continuing operations in 1992.

Trafalgar House seeks to raise £204.5m from rights issue

By Roland Rudd in London

TRAFALGAR House yesterday announced a one-for-two rights issue at 60p to raise £204.5m ($290m), and warned of further property write-downs.

The ordinary and A shares of the UK construction, property and shipping group fell by 12p and 11p to close at 76½p and 75p respectively.

Only months after the group unveiled massive write-downs for 1992 it warned that another £100m of exceptional losses and write-downs may be required by the year ending September 30. The total dividend is to be cut from 5p to 3.25p. Since the year-end net borrowings have risen from £352.6m to £580.3m, reflecting the effect of the devaluation of sterling on the translation of US borrowings.

Mr Allan Gormly, chief executive, denied that Trafalgar had been "forced" to raise cash. He said the group had decided to take advantage of the support of its biggest shareholder, Hongkong Land, the Jardine Matheson-controlled property company, which recently lifed its stake to 20.1 per cent and has pledged to take up its rights.

Robert Fleming, the merchant bank advising Hongkong Land, is underwriting the balance of the issue, after putting the idea to Trafalgar. Under the terms of the issue, Hongkong Land has the right to increase its holding to 27.2 per cent. It plans to take it to 29.9 per cent. But in the absence of a bid from a third party it has agreed until April 1, 1994, not to make a full offer for the company. A second of its directors, Sir Charles Powell, will be appointed to Trafalgar's board at the beginning of April.

Trafalgar has decided to accelerate its withdrawal from the US commercial property market and reschedule the development of its principal UK commercial property projects. It recently realised £21m from the sale of properties.

The group's borrowing covenants require it to maintain adjusted share capital and reserves of at least £500m.

Following the rights issue and taking account of the expected property write-downs, pro-forma adjusted share capital and reserves would be £612.6m.

Trafalgar has renegotiated the ratio of adjusted profits it is required to meet under the US notes, which have a nominal value of $225m, to allow it to make additional borrowings.

Lex, Page 14

BP upbeat as cuts reduce debt

By Deborah Hargreaves in London

BRITISH Petroleum said yesterday that its stringent cost-cutting measures adopted to tackle its huge debt burden were beginning to show up in the company's results. At the same time, BP has managed to arrest its large cash haemorrhage in spite of extremely difficult market conditions.

In an upbeat presentation yesterday, Mr David Simon, group chief executive, said: "There are signs we are following the track we chose in the middle of last year more confidently now." He was referring to targets set for the company to make profits of $2bn by 1995 and pay down its debt at $1bn a year.

BP reported a loss for 1992 of £352m ($499m) on a replacement cost basis – which strips out the losses and gains from stockholding – after a £994m restructuring charge. This compares with a profit of £1.04bn for 1991 and has been restated to adopt FRS 3, the new accounting standard.

But fourth-quarter income more than doubled from the previous year and the company had a net cash inflow in the final quarter of £135m. This compares with outflows of £607m for the full year and £1.14bn in 1991.

The company said it would pay a dividend of 2.1p a share for the final quarter, making a full year payout of 10.5p, down 37.5 per cent from 16.8p in 1991. Lord Ashburton, the company's chairman said: "The company is occupied with reaching the targets it set itself and only then will it look at increasing the dividend."

Mr Fergus McLeod, oil analyst at NatWest Securities, said the figures showed some evidence that the pain the company was going through was worthwhile. "It's encouraging, it suggests that what is being done on costs is having some positive impact on the bottom line."

The company has cut 14,500 jobs and will restrict capital expenditure to $5bn this year from $6.1bn last year.

But in spite of paying down almost $1bn of the company's $15.3bn debt burden, BP's debt to equity ratio rose to almost 100 per cent following the devaluation of sterling – most of the company's debt is denominated in dollars. The City of London is concerned about the company's indebtedness and is looking for evidence that it will continue to pay it off in coming years.

Lex, Page 14; Details, Page 22

Unitas sinks further into the red

By Christopher Brown-Humes in Stockholm

UNITAS, Finland's second-largest banking group, yesterday disclosed a FM2.7bn ($499.3m) pre-tax loss for 1992 and warned that it would record a heavy deficit this year.

A tripling of credit losses to FM3.3bn from FM1.1bn was the main reason for the deterioration on the FM128m loss in 1991. The group's net income from financing operations shrank 17 per cent to FM1.89bn due to an increase in non-performing loans.

At the year end, the group's non-performing loan portfolio stood at FM8.3bn, or 6.14 per cent of total loans outstanding, compared with FM5.7bn in 1991. There will be no dividend.

Unitas, which is the holding company for the Union Bank of Finland, drew some comfort from the fact that its loss was slightly lower than predicted at the eight-month stage, as it benefited from a drop in interest rates and a rise in equity prices over the last four months. It cut operating expenses during the year by FM185m, or 7 per cent.

In spite of the overall loss the group's capital adequacy ratio stood at 11.1 per cent at the year end, compared with 10.3 per cent a year earlier. This reflected the impact of the group's August convertible bond issue and a FM1.7bn government preference capital injection.

Unitas said its position should be strong enough for it to be able to get through 1993 without support from the government guarantee fund.

However, it was looking at the possibility of raising new capital, possibly by launching a US preference share issue, and said it may seek a government guarantee for this.

The group said its 1993 result would be "heavily negative" because of the continuing Finnish recession. But there were some optimistic signs and the group was hoping its result would not deteriorate any further.

"The drop in interest rates will improve operating conditions and the unwinding of risks and losses relating to certain equity holdings last year will have a similar impact," said Mr Vesa Vainio, Unitas chief executive. He added that the group could expect to benefit from cost-cutting.

British Telecom drops 7% in third term

By Alan Cane in London

BRITISH TELECOM'S third-quarter profits before tax were down on last year and below City expectations but analysts were satisfied with a sound performance in a difficult economic climate.

The shares rose 4p to 412p, roughly in line with the rise in the market yesterday.

Mr Iain Vallance, BT chairman, said a slight improvement in inland call volume in the second quarter had been maintained. Call volume growth is an early indicator of the changes in the economy, giving some hope that the corner had been turned. But Mr Vallance warned: "The economic outlook remains difficult while competition and regulation continue to exert pressure on our performance."

Profit before tax was £705m, ($1.1bn) a 7.1 per cent fall from £759m for the same period last year.

Profit before tax for the first nine months of the year was £1.73bn, down 26.9 per cent on last year's £2.37bn.

Analysts had been expecting between £720m and £750m for the quarter but were surprised by an exceptional charge of £56m for the premium paid on the repurchase in December last year of Government-held bonds.

They had also overestimated the cost to the company of restructuring in the quarter which was £17m rather than the £60m anticipated.

Earnings per share were 7.2p for the third quarter, 12.3 per cent down on last year, and 17.3p for nine months, 33.4 per cent down.

Turnover of £3.28m for three months and of £9.81bn for nine months was essentially flat compared with last year.

The company refused to confirm or deny comment on rumours that it was negotiating to take a substantial stake in Electronic Data Systems, the computing services arm of General Motors.

EDS, which reported its 1992 results in the US yesterday used almost the same form of words to make the same point. As yet, there are no indications that BT is preparing to fund such an acquisition.

Inland telephone call revenues were almost static in the nine-month period but grew 1.2 per cent in the third quarter. Higher volumes in the company's "Sunday Special" incentive offset lower prices. BT said, however, that there had been a slight increase in inland call volumes independent of its special schemes.

Capital expenditure in the nine-month period fell to £1.51bn from £1.75bn a year ago; in the three months it fell from £575m to £561m suggesting the organisation is keeping a tight grip on spending. Analysts are maintaining pre-tax profit estimates for the full year at £2.55bn.

Lex, Page 14

Kone earnings lifted by elevator operations

By Christopher Brown-Humes

KONE saw profits after financial items rise 7 per cent to FM478.9m ($89m) in 1992, thanks to a recession-resistant performance from its core elevator activities.

Sales expanded 12 per cent to FM11.3bn, reflecting acquisitions and the weakening of the Finnish markka. Dividends are unchanged at FM9 per A share and FM10 per B share. Earnings per share rose to FM51.45 from FM43.88.

The group said demand for elevators and cranes continued to decline in Europe, its main market, and North America's share of overall business was down. But maintenance business grew worldwide and new equipment sales benefited from strong growth in Asia Pacific.

Kone's elevators business lifted sales to FM8.3bn from FM7.1bn, with maintenance business, which is more recession proof than new business, accounting for as much as 60 per cent of the total.

Kone said it had decided to de-list its shares from the Stockholm stock exchange because of low volume.

Pleiad sells office complex in Brussels

By Christopher Brown-Humes

PLEIAD Real Estate is selling a newly-built complex in central Brussels for SKr3bn ($415m) in what it claims is one of Europe's largest single property transactions. The buyer is the Belgian telephone company Belgacom, which will be able to gather its various operations under one roof.

The complex, known as Tours Pleiad, is situated at the Gare du Nord and comprises 110,000 sq metres of office space in two 29-story buildings and one 7-storey pavilion.

Mr Per Mellander, Pleiad chief executive, said: "We're delighted at having been able to close this large deal, given today's tight real-estate market in Europe."

He said the complex's central location, with good transport links, and its "high Scandinavian quality" had been crucial factors in clinching the sale.

Pleiad was set up in 1989 by five investors, comprising the motor vehicle group Volvo and four Swedish pension and insurance groups. Its property and development project portfolio totals SKr7bn.

Austrian banks hold merger negotiations

By Eric Frey in Vienna

ERSTE Oesterreichische Spar/Casse Bank, a large Austrian savings bank, is to start merger talks with Girocredit to form Austria's second largest bank.

Erste, which holds 21.5 per cent of Girocredit, is planning to acquire the 30.5 per cent stake held by Bank Austria, the country's largest bank.

Erste and Bank Austria plan to finalise the transaction in time for Girocredit's annual meeting in April. Erste is looking for other partners, such as smaller savings banks and insurance companies, to help finance the acquisition.

A full merger would be postponed for several years, Erste said. The takeover of Girocredit by Erste would mark the largest change in the Austrian banking industry since Zentralsparkasse, another large savings bank, merged with Laenderbank last year, to form the new market leader Bank Austria.

Girocredit, the product of a merger between Girozentrale and the much smaller retail bank OCI, has acted as the clearing house of the Austrian savings banks, but the wave of mergers between savings banks and commercial banks has left it without a franchise.

The Erste-Girocredit group would be the third Austrian bank with balance sheet assets of more than Sch500bn ($44bn).

However, banking analysts said the country's banks may be too small to survive in the more competitive environment of the European single market.

Union Bancaire Privé improves

UNION Bancaire Privé, one of Switzerland's largest private banks, said net profit in 1992 rose 16 per cent to SFr108m ($73.9m), writes Ian Rodger in Zurich.

The bank said assets grew 30 per cent to SFr10.8bn and shareholders' equity was over SFr757m at year end.

Euro Disney warns of large deficit for the year

By Alice Rawsthorn in Paris

EURO Disney, which operates the FFr4.2bn ($768m) EuroDisneyland theme park near Paris, has warned shareholders it will make a substantial loss this year.

Mr Philippe Bourguignon, who last month took over as chairman, told an investors' meeting in Paris he expected to see an improvement in the second half of the year, but that Euro Disney would stay in the red for the full year.

Euro Disney, which made a pre-tax loss of FFr339m in its last financial year to September 30, has announced a deficit of FFr492m for the first quarter of this year.

Mr Bourguignon said it was on course for slightly worse losses in the second quarter. When asked whether Euro Disney would be profitable in the second half he replied: "The third quarter – I don't know. The fourth quarter – I hope so."

Since its opening last spring, EuroDisneyland has been hit by shortfalls in attendance and merchandise revenue due to the economic environment and strength of the French franc against other European currencies. The group is burdened by high financing costs after being forced to postpone its property development programme because of the Paris property slump.

Analysts estimated that Euro Disney would attract 10m-10.5m visitors by the end of its first year. This compared with Euro Disney's forecast of 11.5m visitors. Mr Richard Simon, analyst at Goldman Sachs in New York, expected Euro Disney to produce a net loss of "at least FFr750m" this year.

Havas falls 24% to FFr820m

By Alice Rawsthorn

HAVAS, one of France's most powerful media and leisure groups, yesterday revealed a surprise fall in net profits of 24 per cent to FFr820m ($150m) *last* year from FFr1.03bn in 1991.

Havas, which owns a number of prominent French businesses including the Eurocom advertising group and a chain of regional newspapers, managed to lift sales by almost 6 per cent last year with turnover rising to FFr28bn from FFr26.4bn in 1991.

However, the company, like other service sector groups, has come under pressure because of the slowdown in the French economy. Fears of rising unemployment and high interest rates have depressed consumer confidence and household expenditure was static in France last year.

Mr Pierre Dauzier, Havas's chairman, *told shareholders* in December that the group would produce static profits in 1992.

Difficult economic conditions have affected Havas's travel interests as well as its advertising activities, which were destabilised by restructuring after a series of acquisitions and by the impact of *le loi Sapin*, the government's new legislation on media buying.

In spite of the decline in its *1992 profits Havas has decided* to maintain its dividend at FFr12 a share.

It has agreed to extend the contracts between its *Information et Publicité* subsidiary and Compagnie Luxembourgeoise de Téléffusion, the broadcasting group in which it is indirectly a substantial shareholder, for a further five years.

Fiat-Impresit to take large holding in Lain

By Haig Simonian in Milan

FIAT-IMPRESIT, the construction and civil engineering arm of Fiat, is reorganising its operations in Spain in a complex deal that could represent a partial disinvestment from its Spanish activities.

Fiat-Impresit is buying a substantial stake in Construcciones Lain, one of Spain's 10 biggest building concerns. The holding, to be taken through a capital increase by Lain, will be "significant, but not controlling", Fiat said. Lain is understood to have bought Fiat-Impresit's 33 per cent share in Hasa, the parent company of one of Spain's largest construction groups, Huarte, yesterday.

The operation would appear to release cash for Fiat-Impresit, which is selling a substantial stake in a large company for at most a similar-sized participation in a smaller one.

Fiat said the deal was designed to increase co-operation between Fiat-Impresit and Lain in the established construction business.

Fiat-Impresit will take its stake in Lain via a Pta5.4bn ($46m) capital increase by the Spanish company. Fiat will make a public tender offer of Pta10 each for share rights linked to the transaction.

L'Air Liquide advances to FFr2.64bn

By Alice Rawsthorn

L'AIR LIQUIDE, the French industrial gases group, increased net consolidated profits by just over 2 per cent to FFr2.64bn ($472m) last year, from FFr2.59bn in 1991.

The increase reflected continued growth in the group's gas interests. But it suffered a setback in its chemical activities, mainly because of an accident at one of its plants.

Consolidated sales fell by 5.9 per cent to FFr29.9bn last year. A big factor in the decline was the fluctuation in exchange rates since September, it said.

Ford follows GM with introduction of credit cards

By Martin Dickson in New York

FORD Motor, in partnership with Citibank, yesterday followed rival General Motors and launched consumer credit cards offering customers substantial discounts on the purchase of Ford vehicles.

The move will intensify competition in the US credit-card market, where traditional bank issuers are being challenged by new entrants such as GM and American Telephone & Telegraph, offering rebates on goods and services.

Ford's introduction of Visa and MasterCards comes six months after the launch of the GM MasterCard – the most successful US credit-card introduction ever, attracting more than 4.5m cardholders. Ford said yesterday it aimed to top GM, but gave no forecasts.

For Ford, and GM before it, the cards are an attempt to build brand loyalty through a new form of customer rebate. GM's share of the US car market dipped from 35.9 per cent in 1991 to 34.9 per cent last year, while Ford's rose 1.7 per cent to 21.8 per cent.

For Citibank, the leading issuer of credit cards in the US, the Ford tie-up could mean a sizeable increase in its cardholder base at a time when its account growth has been slowing. "This is an effort to grow the business," said Mr James Bailey, who heads north American consumer banking.

The bank already has similar partnerships with other major US corporations, notably one with American Airlines which allows cardholders to earn points towards free travel.

Ford's card allows customers to earn rebates, equal to 5 per cent of their purchases, of up to $700 a year for five years, and then get a rebate of $3,500 on the purchase of a vehicle.

Ford claimed its card was superior to GM's in that it offered a $3,500 rebate over five years, rather than seven; a lower rate of interest on outstanding balances; and the advantages of a link-up with Citibank, which offers cardholders fringe benefits. GM's card is administered by Household Credit Services, the ninth largest US card issuer.

Ford's card charges a $20 annual fee, while GM's has none. However, the fee will be waived for the first year and payment thereafter will qualify holders for an annual, additional $50 rebate when they buy a Ford vehicle.

Cummins stock climbs on turnround in income

By Patrick Harverson in New York

SHARES in Cummins Engine, the world's biggest independent manufacturer of diesel engines, rose sharply yesterday after the US company reported fourth-quarter net income of $24m, a sharp turnround from the $2.3m it lost at the same stage a year ago.

The company's earnings in the latest quarter would have been higher, but for the extraordinary charge of $5.5m Cummins took to cover early retirement of high-cost debt.

Despite the charge, however, investors were cheered by the news from Cummins, which has now made a profit in the last four quarters thanks to a combination of cost-cutting measures and a revival in key markets that has helped the company recover from a string of losses. Cummins' shares rose $3 to $84½ on the New York Stock Exchange.

For the full-year, Cummins earned $67.1m, compared with a $85.6m loss incurred in 1991. The net effect of adopting three new accounting standards issued by the Financial Accounting Standards Board, however, left the company with a net loss of $189.5m last year.

Sales to the North American heavy-duty truck market, where the company maintains a market share of about 38 per cent, rose in the fourth quarter.

AT&T in damages claim

By Martin Dickson

THE battle for market share in America's long-distance communications business has taken a new legal twist with American Telephone & Telegraph, the largest long-distance group, asking a federal court to award it damages against three rivals: MCI Communications, Sprint and WilTel.

It complained they had undercut AT&T's rates by providing "secret" contracts to business customers.

The action stems from an appeal court ruling in Washington DC last November that all long-distance carriers must publish their prices in accordance with the Communications Act of 1934.

AT&T said its damages claim covered "many millions of dollars."

MCI said AT&T had been stung by a "a continuing string of losses to MCI among its largest customers," and it dismissed as "absurd" the assertion that secret deals had denied customers the benefits of competition.

VF Corp plans Polish plant

By Christopher Bobinski in Warsaw

VF Corporation, the US apparel group which owns the Wrangler and Lee jeans brands, plans to invest $6m in a production facility in Lodz, Poland's recession-hit textile centre.

The operation, the group's first venture of this kind in a former Soviet-bloc country, aims to build on a 16-year Wrangler presence in Poland's hard-currency stores and high brand awareness. The factory is to employ 200 people.

Levi Strauss, another jeans producer, has a factory in Plock, 112km north of Warsaw, which employs 280 people.

Net income at CBS up 254% in final period

By Karen Zagor in New York

CBS, which owns one of the three US television networks, has reported a 254 per cent surge in fourth-quarter net income, reflecting the network's rise to the top of the prime-time television ratings and a better advertising environment.

The group posted fourth-quarter net income of $33.3m, or $2.14 a share, against $9.4m, or 61 cents, a year earlier. Sales rose 3 per cent to $968.3m, from $937.4m.

For the whole of 1992, CBS earned $81m, or $5.23, compared with a loss of $85.8m, or $5.32 in 1991.

Income from continuing operations stood at $162.5m, or $10.51, against a deficit of $98.7m, or $6.11 a year ago. Sales rose 15 per cent in the year to $2.5bn from $3.04bn.

Mr Laurence Tisch, group chairman and chief executive, said the television network returned to a modest level of profitability in 1992, helped by improved results in entertainment, news and sports programming. He said the company was also "applying our resources in wiser, more cost-effective ways."

The strong growth in the network's prime-time ratings, which Mr Tisch said was the biggest single-season gain by any network since 1976-77 allowed the group to increase advertisement unit pricing and lifted revenues.

"We presently believe that CBS's 1993 operating earnings may surpass 1992's level as a result of further gains in earnings at the television network," he said.

Woolworth to keep German operations

WOOLWORTH, the US retailing group, does not plan to sell its general merchandise or specialty store operations in Germany, AP-DJ reports from New York.

The company had announced in November that it was exploring the possible disposal of some or all of its German operations.

Woolworth operates more than 500 stores in Germany through its subsidiaries, including 330 Woolworth general merchandise stores and 190 specialty stores.

The company said its German operations would continue to operate under its present management.

The company also operates 144 Foot Locker athletic footwear and apparel stores in eight countries in Europe. Woolworth said it still planned to be operating at least 1,000 Foot Locker stores throughout Europe by the year 2000.

Woolworth has also named Mr William Lavin as chairman and chief executive to replace Mr Harold Sells when he retires, at the age of 65, in July.

Mr Lavin, who is 48, has served as chief financial officer of the US retailer since 1991. He joined Woolworth in 1981.

An announcement about Mr Sells' successor has been widely expected since September, when a Securities and Exchange Commission filing showed that Mr Sells had sold $3.4m of stock in the company.

Southern belle puts on fresh make-up

The chairman of Delta explains the recent dramatic changes at the airline to **Paul Betts**

NEVER in the highly cyclical history of civil aviation have times been quite so bad, said Mr Ronald Allen, chairman of Delta Air Lines, the third biggest US carrier.

"We can't wait for the economy to turn around: we must re-engineer our airline and reduce our costs," he added during a brief visit to London.

The last few months have seen dramatic changes at the Atlanta-based airline, long regarded as the "Southern belle" of the US industry because of its conservative and profitable track record.

Delta is still "a good, strong airline", said Mr Allen, but "we are not immune to the kind of pressures that are facing this industry".

The carrier has incurred only four annual losses in its history: in 1947, 1983 and in its last two fiscal years ended June 1991 and June 1992. But its recent losses have been even bigger than those of its two big US rivals: American Airlines and United Airlines. After a net loss of $324.4m in the year to June 1991, Delta's deficit rose to a record $506.3m for the year to June 1992. In its current year, it has so far lost $233m.

Mr Allen's response has been to launch what he calls a "profit improvement plan" to save $375m by the end of this June and as much as $750m by the end of June 1995. This includes a consolidation of existing activities; rescheduling and reallocation of flights; deferring deliveries of more than $6bn worth of new aircraft ordered by the airline, which already counts a fleet of some 560 airliners; and a 5 per cent pay cut for its 75,000 employees.

The company also cut its quarterly dividend last December and has shed 5,000 jobs during the past 12 months through early retirements, freezing recruitment and reducing the number of temporary workers.

"Although we reduced the dividend from 30 cents a share to a nickel [5 cents], we are one of the few carriers still paying a dividend," Mr Allen emphasised, adding that he was encouraged to see the cost reductions starting to feed into the airline's financial performance. "The results of the December quarter were disappointing but better than last year and almost all the improvement was due to cost reduction," he explained.

Delta's problems have been compounded by an unfortunate sequence of events. It started when the now-defunct Eastern Airlines, operating under US Chapter 11 bankruptcy rules, decided to rebuild three years ago a hub at Atlanta, Delta's home base.

"We found ourselves competing against a bankrupt airline which was cutting fares in an effort to generate cash flow," Mr Allen said. When Iraq invaded Kuwait the following year, Delta, like the rest of the industry, went into a tailspin. "Our fuel bill alone doubled," Mr Allen said.

Ashley Ashwood

Ronald Allen: 'We are not immune to the kind of pressures facing this industry'

Recession and the impact of the Gulf crisis pushed more US carriers into Chapter 11. "At the peak of the crisis, almost 30 per cent of US traffic was controlled by bankrupt airlines which were not paying their bills: that situation still persists today with about 20 per cent of the our market controlled by bankrupt airlines," Mr Allen explained.

In the middle of all this came Delta's decision to acquire Pan American's European routes for $506m. Although the timing was unfortunate, Mr Allen claimed he had no regrets about the purchase. "It was a very important deal for us strategically and tactically: it was a once in a lifetime opportunity," he said.

To compete on the important transatlantic market, Delta needed to strengthen its presence in New York and the north-east of the US. Mr Allen said his airline needed to increase its presence in this market in order to avoid losing business on both transatlantic and domestic US routes.

But absorbing the Pan Am assets proved more difficult than expected. "You have to accept some difficulties when you are buying assets from a bankrupt company," Mr Allen acknowledged. One example was the old Pan Am terminal at New York's JFK airport. "The problem was that the roof leaked. We had to fix that first before we could upgrade the interior, but by this summer our JFK terminal should be a pretty good show case," he said.

Although the Pan Am route acquisition made Delta the biggest airline serving the north Atlantic market, it has struggled to establish a strong identity in the European market. For this reason it has just appointed a new vice-president for Europe – Mr Michael Medlicott, former chief executive of the British Tourist Authority.

Delta is also banking on its trilateral alliance with Swissair and Singapore Airlines to strengthen its global operations both in the European and the Asia-Pacific markets. But Mr Allen stressed that his airline's cross-equity holdings in Swissair and Singapore Airlines differed from the recent spate of alliances with other US carriers.

"Most of the current alliances formed with US airlines are bail-outs of financially troubled US carriers which are looking for money," Mr Allen said.

Delta, together with American and United, has led the campaign against British Airways' equity investment in USAir, the sixth largest US carrier. The big three US carriers successfully lobbied the Bush administration last winter to block BA's original proposal to acquire a 44 per cent stake in USAir for $750m.

They are now renewing their efforts with the Clinton administration to torpedo BA's revised deal with USAir, initially involving a $300m investment by BA for a 19.9 per cent stake in the Pittsburg-based carrier.

"The latest BA deal is only a warmed-up version of the original one and their intent is the same," Mr Allen claimed. Together with the other two big US carriers, Delta has asked the administration to declare a moratorium on all foreign investment in US airlines until the US government clearly defines a new international aviation policy.

"The new administration has a wonderful opportunity to redefine the rules for everyone: we favour open skies and we want to compete in an open market place," Mr Allen said.

In other words, the US should only allow BA to establish a strong foothold into the US market through its partnership with USAir if, in return, the other US carriers are given greater access into the UK market, and especially into London's Heathrow airport.

GM Europe net profit declines 30% to $1.2bn

By Kevin Done, Motor Industry Correspondent

THE net profit of the European operations of General Motors, the world's largest vehicle maker, fell last year by 30.4 per cent to $1.228bn from $1.76bn in 1991 and a record $1.92bn in 1990.

Despite the decline, GM Europe – Opel in continental Europe and Vauxhall in the UK – remained one of the most profitable of the big six volume car makers in 1992. Its performance in Europe was in sharp contrast to its rival Ford, which disclosed earlier this week a record $1.3bn loss on its European automotive operations, including Jaguar.

GM's European profits provided a partial cushion for the continuing heavy losses suffered by the group's North American automotive operations. The net profit of $1.2bn in Europe was also achieved after taking account of GM's 50 per cent share of the continuing losses of Saab Automobile, where the US group has management control. The Swedish carmaker is expected to announce later this month a loss of more than SKr2bn ($270m) for 1992.

GM also suffered continuing losses in Europe last year at Group Lotus, the UK specialist sports car maker and automotive engineering consultancy, and it incurred losses through the restructuring of the European subsidiary of GM Hughes Electronics.

Within its core Opel/Vauxhall car and light commercial vehicle operations GM added significantly to its fixed costs in 1992 with the opening of several new plants, including a DM1bn ($625m) car assembly plant at Eisenach in eastern Germany and a £190m ($266m) V6 engine plant at Ellesmere Port in the UK.

The 1992 financial performance was also burdened by part of the start-up costs for the new generation Opel/Vauxhall Corsa small car at GM's plant at Zaragoza, Spain, as well as by a deterioration in the mix of its product sales with a shift to a larger share of small cars in southern Europe and lower sales in Germany.

The group's Opel/Vauxhall operations achieved a record sales volume of 1.61m cars in west Europe last year, up from 1.55m in 1991, with a best-ever market share of 12 per cent, an increase from 11.6 per cent in 1991. Car production rose by 5.7 per cent to 1,700,053 from 1,607,629 a year earlier.

GM's turnover in Europe rose by 13.7 per cent to $28.8bn from $25.4bn a year earlier.

Banesto quells Spanish banking's ridicule

Peter Bruce and Tom Burns on a forthcoming rights issue which could net Pta53bn

FOR YEARS now it has been fashionable among the chattering core of Madrid's financial community to muse loudly and often, on the imminent demise of both Banesto, Spain's third largest bank, and its mercurial chairman, Mr Mario Conde.

That will probably change with Wednesday's announcement that J.P. Morgan, the US investment bank, is throwing its weight behind a rights issue being prepared by Banesto by assembling a group of subscribers who could end up holding 10 per cent of the bank. Yesterday the gallery was silent.

The arrangement is a sweet one for Banesto. The issue will raise, if it is taken up, Pta53bn ($452m) in one of the biggest ever capital increases in Spain.

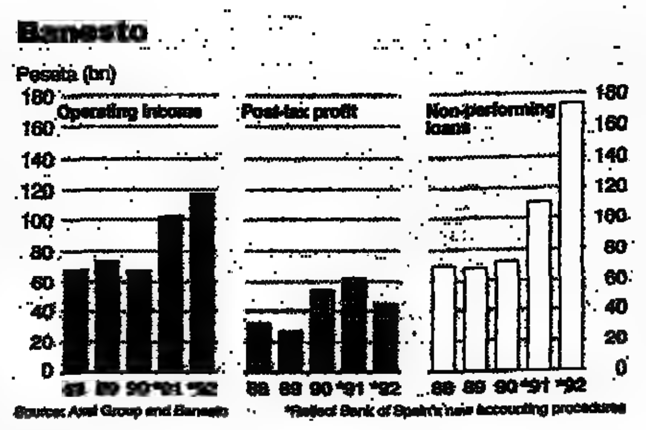
Normally, this news would have been greeted as just another effort by Banesto to claw money from its shareholders. But J.P. Morgan's presence is a startling vote of confidence in the bank. Not least because it has chosen Banesto as the first investment for the $1bn Corsair investment fund it closed last week after signing up 46 blue chip US institutional and individual subscribers.

The US bank researched Banesto for seven months before committing itself to leading a group of investors who will guarantee to spend $200m on the rights issue. Mr Conde is himself a member of the group and could more than double his personal stake in Banesto from 2 per cent to 4.5 per cent.

The psychology of this is everything. When Mr Conde helped rescue Banesto from takeover in 1987, it was an entangled mess of rival family industrial and banking interests, living off a cosy interest rate arrangement between Spain's banks and regular asset disposals every time banking profits dipped.

In undoing that and separating Banesto's banking and industrial businesses, Mr Conde made enemies and gathered critics. Many of his grand plans failed – in late 1990 he was forced to call off a flotation of the Banesto industrial group after the Gulf crisis took the wind out of the markets.

That could have raised more than Pta75bn at the time. Since then, he has been forced to sell industrial assets off piecemeal. His attention has been diverted from core banking and many analysts have wondered whether, as an industrialist by training, he is fit to run a bank.



Source: Assi Group and Banesto. *Reflect Bank of Spain's new accounting procedures

But J.P. Morgan has found something it likes. On fundamentals, Banesto is not Spain's best bank. It just meets the country's capital adequacy ratios; last year it recorded the sharpest bad debt growth among big banks; and it reported a 23 per cent fall in profits. Moreover, it is struggling to meet Bank of Spain demands that it reduce its exposure in industry to 40 per cent of equity and, later, to 20 per cent.

At the moment, Banesto's exposure in industry is some 52 per cent of equity and it was always going to have to correct this by either withdrawing from industry or increasing capital. It is now doing both. Banesto officials say the group will continue to shed industrial assets – a policy J.P. Morgan will probably have insisted on for its Corsair investors.

And, on closer scrutiny, Banesto's bad debts turn out to be covered better than is the case at any big Spanish bank, apart from Banco Santander. Moreover, the group's profits fall disguised a healthy profit rise in the core banking business. And even critics acknowledge that Banesto has the best electronic information systems of any Spanish bank. As cost control becomes a serious factor in Spanish bank profitability, Mr Conde's planning might begin to pay its way.

A Pta53bn flood of new cash would go a long way towards solving the capital squeeze that dogs Banesto year after year. But, in order to place himself and the bank well within the Bank of Spain's capital requirements on industrial holdings, Mr Conde still has to see through the sale of a regional banking affiliate, Banco de Madrid, to Deutsche Bank. Banesto is said to be asking about Pta60bn for the bank. The Deutsche Bank has reportedly offered Pta40bn.

So there is still some way to go. The Germans, who need to grow their Spanish operation away from Catalonia, could still be tempted by other targets. But the point now is that, assuming the rights issue goes well, Mr Conde can stop running to his appointments. With the J.P. Morgan deal, things may be coming right and even the sceptics are impressed.

"We are all looking for the catch," said Mr Frederick Artessani, of brokers Benito y Monjardin, "but we can't seem to find one."

Poor tanker market sinks Bergesen's earnings

By Karen Fossli in Oslo

BERGESEN, Norway's biggest shipping group, yesterday revealed a sharp decline in 1992 net profit to NKr25m ($3.5m) from NKr716m the previous year, caused by significant weakness in the world crude oil tanker market and a write-down of the group's share portfolio.

Group operating revenue sank to NKr2.64bn last year, from NKr3.12bn in 1991. Operating profit plunged to NKr203m, from NKr857m. This was due to a NKr639m fall to NKr173m in operating profit from shipping operations.

The company has proposed an unchanged dividend payment of NKr1 per share.

Bergesen's tanker division fell to an operating loss of NKr218m, from a NKr464m profit in 1991.

It was pushed into the red by a steep decline in day rates, which were almost halved to $16,200 from $30,300 in 1991.

Bergesen's weak performance was exacerbated by a NKr143m write-down on the group's share portfolio and a NKr117m unrealised loss on foreign currency.

Mr Morten Bergesen, chief executive, explained that, although 25 of the world's tankers had been scrapped last year, 26 newly-built units had entered the market.

He forecast the scrapping of more old tankers this year, but he warned that balance in the tanker market may not be restored for another two years.

Lower profits could also be expected in 1993 from liquid petroleum gas (LPG) carrier operations, he added.

Bergesen's fleet suffered a sharp decline in value in 1992, measured in dollars, with tankers falling by 40 per cent, LPG carriers by 20 per cent and dry bulk carriers by 28 per cent.

The group experienced a NKr184m net financial loss in 1992, compared with financial income of NKr40m a year earlier.

CS Holding takes 19.2% stake in Swiss Volksbank

By Ian Rodger in Zurich

CS HOLDING, the parent company of Credit Suisse, has acquired 19.2 per cent of the equity of Swiss Volksbank, for which CS made a SFr1.6bn ($1.04bn) agreed takeover bid.

CS said in its offer circular yesterday the shares were acquired after its bid was announced on January 6. The acceptance period began yesterday and ends on March 15.

The basis of the offer is three CS registered shares for every 10 Volksbank registered shares. It is conditional on Volksbank winning approval at an EGM on March 11 to convert itself from a co-operative into a joint stock company and then converting each of its co-operative shares into 10 registered shares.

The offer will then be conditional on receiving acceptances from holders of at least 70 per cent of the Volksbank shares by March 15.

If the offer is successful, CS said it would seek to delist Volksbank securities from Swiss stock exchanges.

Preussag advances to DM425m

By David Waller in Frankfurt

PRE-TAX profits at Preussag, the German steel, trading, energy and metals group, rose by DM15m to DM425m ($257m) in the year to the end of September. This was despite a 4 per cent drop in turnover from DM29.7bn to DM28.5bn.

Mr Ernst Pieper, chief executive, said that, in the first quarter of the current year, pre-tax profits were less than the DM130m in the comparable period of the previous year.

He said that the current year would be difficult for the group in the light of the general economic downturn. But he was confident that the group would "come through" relatively well because of its mixture of businesses. Some analysts' predictions of a 10 per cent drop in profits for the year were speculation, he added.

"Catastrophic" conditions in the steel industry and a difficult metals market would be balanced by a strong performance from other parts of the group, including energy, transport, ship-building and plant construction, Mr Pieper said.

As a measure of his confidence, he pointed to a 4 per cent increase in the order intake to DM6.2bn in the period from October to December 1992. Sales dropped 5 per cent to DM6bn, mainly because of falling steel and base metals prices.

As previously announced, the dividend for 1991-92 is to be held at DM10 per share, the same level as in the previous year.

Mr Pieper, 64, appointed chief executive of Preussag in 1990 following the company's acquisition of the Salzgitter steel and engineering group from the west German government, will step down as chief executive at the beginning of next year. His successor is to be Mr Michael Frenzel, 45, who was appointed deputy chief executive in March last year.

● MAN, the engineering and truck group, said yesterday that orders improved by 25 per cent in the second quarter of the current financial year, compared to the first quarter, when they dropped sharply.

In the six months to December, total order intake was 14 per cent down at DM7.4bn. Sales for the six months were DM8.2bn, the same level as in the first half of the previous year.

Compagnie Bancaire may cut back operations abroad

By Alice Rawsthorn in Paris

COMPAGNIE Bancaire, the specialised financial business owned by Paribas, the French banking group, has warned that it may have to rationalise its international operations following a steep fall in net profits to FFr369m ($66m) last year, from FFr579m in 1991.

The company, which has extensive interests in property finance in the UK, has been badly affected by the crisis in the UK property sector. Its UK interests plunged further into the red last year with a net loss of FFr811m, compared with FFr88m in the previous year.

Compagnie Bancaire fared better in France, where net profits for 1992 rose by 11 per cent to FFr1.34bn, mainly due to a strong performance from its credit and life insurance businesses. However, the company did suffer during the year from the downturn in the French property market.

Mr Michel François-Henrot, chief executive, said that Compagnie Bancaire planned to scrutinise all its foreign activities and would sell or close all those that were not performing satisfactorily.

"This will be a year of truth for the international side of our business," he said. "The only companies to survive by the end of the year will be those that have proved they have the financial viability and strength to get through a recession."

Western Mining halves payout as profits tumble

By Bruce Jacques in Sydney

WESTERN Mining, the Australian metals and commodities producer, has come through another six months marred by low prices and asset write-downs with a halved dividend and reduced profits.

The company is cutting its interim dividend from 6 cents to 3 cents a share following a 41.3 per cent reduction in net equity-accounted earnings to A$53m (US$35.8m) for the six months ended December. Total revenue improved 2.6 per cent to A$820.4bn.

The result was before an abnormal loss of A$26.2m, mainly reflecting amortisation and asset write-offs. This compares with abnormals a year ago of A$200m when the company wrote down the value of its mining properties, mainly in the gold mines.

The biggest blow to the group, headed by chief executive Sir Arvi Parbo, came from low world nickel prices which cut nickel earnings from A$19.5m to A$7.9m. Average nickel prices received fell 8.8 per cent in the year, with a 6.8 per cent cut in output contributing to higher unit costs.

Oil earnings fell to A$27.1m from A$31.2m and the equity contribution from the Alcoa aluminium group fell to A$56.5m from A$77.8m.

Gold earnings remained static at just over A$40m, but the Olympic Dam copper-uranium project pushed ahead strongly, lifting earnings to A$27.4m from A$10.3m.


Sir Arvi Parbo: group hit by low world nickel prices

Despite the tight trading conditions, the company lifted capital expenditure to A$194m from A$170m, mainly on expansion of nickel capacity.

Western Mining is to proceed with development of the Mt Keith nickel deposit in Western Australia at a likely cost of about A$350m and had also reached agreement in principle for the sale of the Chibougamau gold mine in Canada.

The result followed a tax credit of A$11.3m (against a A$24.7m charge) and depreciation of A$174.5m, against A$135.6m. Exploration expenditure written off fell to A$34.1m from A$45.4m and the company's interest expense fell to A$16.1m from A$21m.

Rand Merchant Bank rises

By Philip Gawith in Johannesburg

RAND Merchant Bank, the financial services group recently involved in a merger with the assurer Momentum Life, reported increased earnings for the six months to end-December. It plans to increase its dividend.

Net income after tax and contingency reserve transfers rose to R21.5m ($6.9m) from R13m. Earnings per share rose by 27 per cent to 30 cents. The dividend is increasing to 10.5 cents from 8.5 cents a share. Minus Momentum Life, the increase in earnings per share would have been 23 per cent.

Momentum Life increased premium income by 48 per cent to R420.2m, but this mostly reflected a number of large transactions in single premium income which are unlikely to be repeated. All divisions of Rand Merchant Bank performed satisfactorily.

IBM's mainframes enter the microprocessor age

Big Blue is developing two new lines which will be more price competitive, writes Louise Kehoe

International Business Machines plans to bring its traditional mainframe computers into the microprocessor age, significantly reducing their cost and making them more price competitive with "client-server" networks of desktop computers.

The latest generation of "micro-mainframes" represents a central element of IBM's strategy to stem the erosion of its traditional mainframe computer market, which is seen by many as the primary cause of the company's financial woes. For 1992 IBM reported net losses of $4.9bn.

As it struggles to regain the confidence of customers and investors, IBM this week revealed it is developing two new lines of mainframe-power computers built using multiple microprocessor chips similar to those that power desktop computers. IBM's "classic" mainframe computers will also be re-engineered to use microprocessor chips.

"Our aim is to take a lot of the cost out of the systems, by replacing expensive processing units used in today's mainframe computers with integrated circuit chips," said Mr Nicholas Donofrio, general manager of IBM's Enterprise Systems division.

One of the new lines will be based on reduced instruction set computing (Risc) microprocessor chips that are currently used in IBM's RS/6000 workstations.

By using several of these chips working in parallel, IBM plans to create mainframe-class computers.

The first of these "power parallel" computers will be delivered within the next few months, Mr Donofrio said. It will be aimed at technical and scientific applications. However, in about 12 months, IBM will offer similar computers designed for commercial applications, he said.

By gradually increasing the number of microprocessors in these computers, IBM will build a broad product line of computers. Like the company's workstation products, these will run the popular Unix operating system.

The second product line will be based on a microprocessor version of IBM's current S/390 mainframe processor, also using parallel processing techniques. Aimed at IBM's current mainframe customers it will be designed to run existing mainframe applications programs.

In addition, IBM is planning microprocessor-based versions of its "classic" mainframe designs.

"During the second half of the 1990s, we plan to have an entire mainframe family based on microprocessor technology," Mr Donofrio said. The planned systems will significantly reduce the cost of mainframe computing, he said.

In the meantime, IBM is attempting to dispel the impression that its traditional mainframe computers are a dying breed by stressing the role that mainframe computers can play in new client-server networks as "superservers".

This is hardly a new message. IBM has been trying to redefine the role of the mainframe more favourably for over two years.

However, the company is now planning "an intense campaign, bringing in real users and software developers" to talk about client-server applications of mainframe computers, Mr Donofrio said.

Also getting new emphasis are the "open systems" features of IBM mainframes. IBM will bring its proprietary software into line with existing and emerging standards, the company promises, to make it possible to link IBM mainframes to networks of computers from other manufacturers.

The most concrete demonstration of IBM's determination to keep its mainframe sales alive is that customers worldwide will now be able to set the price they are prepared to pay for the latest versions of IBM's mainframes, including the models and upgrades announced this week.

IBM has thrown out the price list that has previously established the starting point for negotiation of selling prices for its mainframes. The move brings IBM's US pricing policy into line with the approach it has taken in the UK for the past three years.

Competitors see the new approach as recognition of existing market conditions in which "it is probably several years since anybody paid IBM's list price, every prospective customer knows that", according to Hitachi Data Systems, one of IBM's competitors in the mainframe market.

IBM hints it is going to become more aggressive in mainframe pricing. "We are not going to lose market share," says Mr Donofrio.

However, the move could backfire. With no list prices, customers will have to get competing bids to ensure that they are getting a fair price, Hitachi suggests.

National Semi tries to pull out of a death spiral

The US semiconductor company is taking steps to end its decline and make a come-back, writes Alan Cane

National Semiconductor is fighting its way out of a death spiral, according to Mr Gil Amelio, president and chief executive.

Under the buccaneering leadership of Mr Amelio's predecessor, Mr Charles Sporck, National Semi was the epitome of the rough, tough US semiconductor company. Its strategy was simple: to drive down costs and prices and push up market share.

But since the mid-1980s, it has been in decline. It had expanded ambitiously in areas of semiconductor production which became suddenly unfashionable. It has been eclipsed in memory chips by the Japanese and in microprocessors by its compatriots Intel and Motorola. Last year, National Semi lost $117m before tax from continuing operations on sales of just over $1.7bn, its fourth year in the red at both the operating and pre-tax level.

Under Mr Amelio, who took over in early 1991, staff numbers have been trimmed, old and unprofitable plants closed and investment redirected towards fast-growing areas of the market, especially networking products and communications. But Mr Amelio has no illusions about the size of the task remaining. He says: "Because for so many years we were frankly defocused, frankly unprofitable, it will take time to change perceptions. Over a period of time, I think we will build a new kind of reputation, but I am not so naive as to think I can do it in 18 months."


Gil Amelio: veteran of the semiconductor industry

Wall Street is taking a sympathetic if scarcely euphoric view of his efforts. The slide in the company's share price, which saw it fall from a high of over $20 in 1987 to a low of less than $4 in mid-1990, seems to have halted. It is now hovering around the $12 mark.

Mr Amelio, 49, is a semiconductor industry veteran who began his career in Bell Laboratories and has since served as general manager of Fairchild Camera's microprocessor division and president of Rockwell Communications Systems.

His manufacturing background proved valuable in diagnosing National Semiconductor's sickness – too many plants making the wrong kind of semiconductors. He explains that in the 1970s, the company's heyday, semiconductors were building blocks, sold in billions to be incorporated into bigger systems. Manufacturers could sell all they could make:

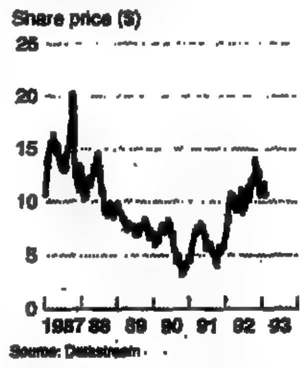
In the 1980s, however, the market changed irrevocably. According to Mr Amelio, National failed to appreciate the transformation. Chips became so complex they resembled complete sub-systems rather than components. The new trick was to build a relationship with the customer so that the use to which the semiconductor was to be put was fully appreciated and the customer's requirements understood.

National did none of those things, and its market share began to slip. "Unchecked," Mr Amelio observes of the spiral, "you crash and burn." His plan to avoid that involves three measures:

- First, he is restructuring the manufacturing base. Three factories have already been sold or closed, and only seven will remain of the 11 currently operating. Those seven, Mr Amelio estimates, will have enough capacity to support a $5bn turnover company.
- Second, it is abandoning its role as a broad-based supplier in favour of concentration on three areas: communication products, analogue devices and microprocessors for personal computer peripherals.

National Semiconductor

Share price ($)



Source: Datastream

- Third, control of the company is being split along product and market lines; separate groups have been established for commodity products and higher value sub-systems.

The restructuring charge for plant and people in 1991 was $150m. The headcount by the end of the year will be under 24,000, a fall of more than 8,000 in two years. Productivity is rising accordingly. Taking productivity as sales divided by total labour costs, Mr Amelio reckons the best semiconductor houses such as Intel achieve over 3.0. National is presently at 2.7, the aim being to reach 3.0 some time next year.

Spending on research and development is down, however, to $192m last year, about 11 per cent of sales, from $225m four years ago. Mr Amelio claims this is the right amount, pointing out he has shifted research and development priorities drastically.

Investment in networking has risen from 9 per cent of the total to 17 per cent. In analogue devices it has gone from 19 per cent to 26 per cent. R&D on commodity products, by contrast, has been cut from 21 per cent to just 5 per cent.

The question remains if National can make an effective come-back without spending the large sums in plant and research its larger competitors are committing. Intel, for example, is spending at a rate of almost $1bn a year on plant and equipment. National's capital spending last year came to $189m.

Mr Amelio's optimism is unquenchable, however. "The explosive growth in the 1980s was in personal computers. In the 1990s it will be in communications. We are going to do our damndest to be at the head of that parade."

INTERNATIONAL CAPITAL MARKETS

Ireland's DM1.5bn paper attracts retail investors

By Richard Waters

THE Republic of Ireland became the latest EC member state to borrow in D-Marks yesterday, adding to its foreign exchange reserves after the unsuccessful rear-guard action to shore up the punt last month.

INTERNATIONAL BONDS

The republic's DM1.5bn issue of 10-year bonds, increased from an initial DM1bn, was widely seen as a success when set against the Kingdom of Spain's DM4bn, 10-year issue last week.

Although an AA3/AA- credit, compared with the AA2/AA of Spain, Ireland's bonds were launched with a yield 24 basis points above the benchmark government bond, marginally tighter than the 25 basis point spread on the Spanish bonds. Spain's issue had already tightened from a 31 basis point yield spread at the time of launch a week earlier.

Deutsche Bank, which led the issue and took two thirds of the bonds on to its own books, said demand had been strong from both German and Swiss retail investors, while other banks involved in the deal also reported good demand from Germany. Late in the day, Deutsche was bidding 100.15 for the bonds, above the reoffered price of 100.06.

While a queue of sovereign and supranational issuers continued to be rumoured in D-Marks, among them Belgium, Denmark and the European Community, the autonomous Spanish region of Andalucia was the only borrower to declare definite plans to come to the market next week. The region, which has not been to the international market before, plans to issue DM300m of five-year bonds at a yield spread of 75-80 basis points. Andalucia carries an AA3 rating from Moody's, and expects to return to the market later in the year to help fund its Pta130bn borrowing programme.

The EC, meanwhile, turned to the Ecu bond market yesterday for the first part of its exercise to fund its recently agreed loan to Italy. Following Finland's Ecu500m issue on Monday, this was only the second big Eurobond issue since the turmoil in the European exchange rate mechanism took hold last summer.

The EC's issue, which sold out quickly, thanks mainly to the quality of the name, was widely seen as a better test of sentiment in the Ecu bond market than Finland's offer. Its success led to suggestions that other borrowers will use the currency in the coming weeks, although its long-term future was still open to question.

The yield on Ecu bonds yesterday was around the same level as the theoretical yield on the basket of currencies that make up the Ecu, a recovery from the depths of the market last autumn, when the yield was some 40 basis points above the theoretical level.

The EC's three-year bonds were brought with a yield of 7.785 per cent, four basis points above the UK's three-year Ecu notes auctioned last week, and held their level in later trading.

Ford Motor Credit Company launched a $1bn global issue through Goldman Sachs, though the bonds were said to have met demand almost exclusively from the US. Early price talk, indicating a yield spread of 78-80 basis points over five-year Treasuries when the bonds are priced today, was said to have attracted almost no interest in the international market.

"Not many people are interested in a single-A US car company," commented one banker, who said he had taken no orders at all outside the US. Good demand from inside the US, though, led the indicated yield spread down to 75-77 basis points later in the day.

Meanwhile, continuing expectations of early cuts in UK interest rates brought a further £100m of reverse floating-rate notes, which pay a higher yield as interest rates fall.

The three-year issue, which takes the total in the past two weeks to £700m, was launched by Samuel Montagu through a special purpose vehicle, Thames Investments. The paper was backed by £100m of three-year gilts with a coupon of 13¼ per cent: coupon payments from these gilts will be used to pay interest on the floating-rate notes.

The structure, which relied on the bank's ability to buy a tranche of high-coupon gilts in the market at a low price, due to the intrinsic lack of demand for such paper, enabled Samuel Montagu to offer terms which were slightly better than those typically seen so far: a return based on 12¾ per cent minus six-month Libor, rather than 12½ per cent, and an initial minimum coupon of 7⅛ per cent, rather than 7 per cent.

● The Republic of Colombia is preparing to return to the international market for the first time since the debt crisis in the early 1980s.

However, Colombia has never defaulted on commercial bank debt, although it has stretched the maturity of some loans.

Bankers Trust has won the mandate to arrange a $100m-$150m offering of five-year Eurobonds, with an option for distribution in the US private placement market.

The deal is expected to be launched in late March or early April.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ford Motor Credit Co.(a,b)	1bn	(a,b)	(a,b)	Feb.1998	0.35/0.25	Goldman Sachs Int.
D-MARKS						
Republic of Ireland	1.5bn	7.25	102.235	Mar.2003	2.5/2.175	Deutsche Bank
Commerzbank Overseas Fin.(c)♦	200	5.75	119	Mar.1998	-	Commerzbank
STERLING						
Thames Investments No.1(d)‡	100	(d)	100	May.1996	0.25/0.125	Samuel Montagu
ECUS						
European Community	500	7.875	101.1675	Mar.1996	1.375/1.275	Paribas Cap.Mkts/G.Sachs
CANADIAN DOLLARS						
Bell Canada	150	8	101.775	Mar.1998	1.875/1.575	Wood Gundy
Dresdner Finance Amsterdam	100	7.125	99	Mar.1998	1.875/1.625	Dresdner Bank
Ottawa-Carleton	75	8.5	100.225	Mar.2003	2/1.625	Wood Gundy
PESETAS						
European Investment Bank(e)	15bn	11.25	101.4	Mar.1998	1.625/1.5	BCH
SWISS FRANCS						
Bank for Dutch Municipalities	200	5.25	102.25	Apr.1998	-	Swiss Bank Corp.

Final terms and non-callable unless stated. ♦With equity warrants. ‡Floating rate note. a) Semi-annual coupon. b) Priced today to yield 78-80bp over the 5 year US Treasury. c) Denom.: DM1000 + 10 warrants. Exercise price: DM280 (1 share/ 2 warrants). d) First coupon payable on 15/11/93 is set at 7.125%, 12.75% - 6-month Libor thereafter. Issue is backed by £100m holding of 13.25% 1996 Exchequer loan stock. e) Matador bond.

SFA to think again on futures fund trading advisers

By Tracy Corrigan

THE treatment of futures fund trading advisers is to be re-considered by the executive committee of the Securities and Futures Authority after the UK regulator's capital committee failed to reach agreement on the issue last week.

Earlier this week, three representatives of the futures fund industry met SFA officials to put their case for a change in what they argue are onerous requirements for small trading advisers, whose business is being driven offshore as a result.

While the SFA made it clear that their original request for a separate classification of futures fund trading advisers (commonly known as CTAs or commodity trading advisers) will not be met, the SFA is considering relaxing its capital rules for trading advisers.

Currently, trading advisers are treated in the same way as arranging brokers who have some discretion over funds but do not handle clients' assets. Consequently, they face more onerous requirements than advisory firms.

However, the SFA's executive committee will consider whether to change the current requirement of £10,000 in liquid assets to a net asset test. Essentially, this would allow futures fund advisers to include money of their own invested in their funds to count towards capital, according to SFA officials.

If such a change is made, the SFA may also demand greater disclosure of past records of trading advisers.

The amount of money in futures funds and managed accounts around the world is estimated at around $20bn, according to Tass Management, a specialist tracking firm. However, the bulk of the market is in the US, with only some $2bn managed in Europe.

Those familiar with the industry are concerned that the futures fund business will develop in offshore centres rather than in the UK, if regulatory requirements prove too onerous.

Mr Peter Moon, of Royston Investments, one of the three industry representatives who saw the SFA this week, said he was extremely disappointed by the meeting. "This is such a small step and one they seem to be taking reluctantly," he said. "They are not really looking at the issue of how to expand this industry."

Citibank designs index for US corporate loans

By Tracy Corrigan

CITIBANK has designed a US corporate loan index to provide an effective means of performance measurement, in a market which is becoming more actively traded.

Around $350bn is raised through the US corporate loan market every year, while turnover in the secondary market currently totals around $14bn per year. Trading volume is estimated to be growing at an annual rate of 15 per cent, according to Mr Rod Ballek, managing director of portfolio management at Citibank, who helped design the index.

However, unlike other types of corporate debt, such as commercial paper and bonds, corporate loans have not been seen as part of a fund manager's investment portfolio until recently.

In the last few years, banks have become more active in their management of loan assets, sometimes as a result of efforts to offload distressed debt or to control credit risk.

The Citibank Loan Index comprises 1,000 floating-rate revolver and term loans to over 600 companies, representing commitments of around $400bn.

UK gilts slide on gloomy outlook

By Sara Webb in London and Patrick Harverson in New York

UK government bonds fell up to half a point yesterday on sterling weakness, inflation worries and fears that further interest rate cuts may be delayed.

GOVERNMENT BONDS

Long-dated gilts fell half a point, while short-dated paper lost a quarter point yesterday. Dealers said market sentiment was not helped by comments from Mr Eddie George, deputy governor of the Bank of England, who warned against further cuts in interest rates.

The March gilt futures contract settled 1/32 down at 100 11/32 on volume of 43,328 lots.

Dealers said the gilt market was also focusing on the release of the retail price index data for January today.

■ ITALIAN government bonds experienced another volatile day as rumours circulated in the market that Prime Minister Giuliano Amato was under investigation on corruption charges.

The bond market started on a strong note, gaining about three-quarters of a point, but then tumbled as the rumours circulated, although they were later denied. Mr Claudio Martelli, the justice minister, was forced to resign on Wednesday when it emerged that he was under investigation.

On Liffe, the March BTP contract ended 20 basis points down at 95.60.

■ ELSEWHERE in Europe, German government bonds edged higher after trading in a narrow range. The Liffe bund futures contract opened at 93.31 and traded between 93.28-93.48 before ending at around 93.42. Spanish government bonds ended little changed, but dealers said attention would be focused on today's repurchase tender to see whether there is an easing in interest rates.

■ JAPANESE government bonds rose in London trading as the yen continued to strengthen against the US dollar.

Although the Tokyo market was closed for National Foundation Day, bond prices climbed in London trading with the yield on the benchmark No 145 JGB moving from 4.235 per cent to end at around 4.215 per cent.

■ US Treasury prices firmed at the short and intermediate end yesterday morning, but longer-dated were down ahead of the auction of 30-year securities.

In late morning trading the 30-year government bond was down 3/32 at 104¾, yielding 7.258 per cent. At the short end the two-year note was up ⅛ at 100 1/32 to yield 4.199 per cent.

FT FIXED INTEREST INDICES

	Feb 11	Feb 10	Feb 9	Feb 8	Feb 5	Year ago	High *	Low *
Govt Secs(UK)	94.85	95.06	95.03	95.34	95.37	88.41	95.54	85.11
Fixed Interest	110.58	110.65	110.63	110.82	110.98	101.17	110.98	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed interest high since compilation, 110.98 (4/2/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Feb 10	Feb 9	Feb 8	Feb 5	Feb 4
Gilt Edged Bargains	141.8	161.0	182.3	147.0	157.1
5-Day average	155.8	160.9	169.8	169.1	173.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	109.1155	+0.204	8.59	8.61	9.00
BELGIUM		8.750	08/02	106.3000	+1.300	7.74	7.86	7.53
CANADA *		7.250	06/03	95.7000	-	7.88	7.88	8.05
DENMARK		8.000	05/03	95.2500	-	8.73	8.85	8.85
FRANCE	BTAN	8.500	03/97	102.6811	+0.034	7.87	7.75	7.90
	OAT	8.500	11/02	104.4900	-0.090	7.82	7.79	7.98
GERMANY		8.000	07/02	106.5700	+0.140	7.02	7.10	7.14
ITALY		12.000	05/02	95.6250	-1.110	13.221	13.03	13.58
JAPAN	No 119	4.800	06/99	103.9225	-0.001	4.03	4.21	4.35
	No 145	5.500	03/02	108.3522	+0.105	4.23	4.34	4.43
NETHERLANDS		8.250	06/02	108.8900	+0.240	6.82	7.06	7.16
SPAIN		10.300	06/02	93.8750	+0.125	11.37	11.58	12.82
UK GILTS		10.000	11/96	110-31	-3/32	6.66	6.62	7.23
		9.750	08/02	110-31	-5/32	8.10	8.07	8.49
		9.000	10/08	103-01	-12/32	8.65	8.53	8.77
US TREASURY *		6.375	08/02	99-14	-17/32	6.45	6.38	6.67
		7.500	11/22	104-12	-20/32	7.26	7.16	7.48
ECU (French Govt)		8.500	03/02	102.4350	-0.070	8.12	8.06	8.36

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:55 pm on February 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]				

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]					

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	52	11
Other Fixed Interest	0	3	12
Commercial, Industrial	302	268	851
Financial & Property	163	80	552
Oil & Gas	25	6	54
Plantations	1	0	8
Mines	57	5	78
Others	57	14	44
Totals	618	428	1,610

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]							

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]							

[illegible] figures. ♦ Issued by way of rights. † Introduction. § Placing price. ¶ Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Feb. 8
● Last Dealings Feb. 19
● Last Declarations May 20
● For settlement June 1

3-month call rate indications are shown in Saturday editions.

Calls in Aran Energy, ASDA, Cullens, Drumlebrae, Emess, Enterprise Computer, Expamet, London Finance & Inv., Motor World, Norbain Elects., Ossory Ests., OMI Intl., P & P, A. Proudfoot, Queens Moat Hses., Smith & Nephew and Tadpole Tech. Put in Tay Homes. Doubles in Cannon Street Invs., Emess, P & P and Tadpole Tech.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
[illegible]							

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
[illegible]							
Utd. Biscuits (*349)	330	28	35	39	10	17	22
	360	9	18	25	26	34	38
Unilever (*1147)	1100	68	85	106	20	35	42
	1150	35	56	76	43	58	66
Brit Aero (*262)	260	12	34	45	12	34	44
	280	5	25	39	25	48	56
British Gas (*286)	280	15	19	23	6	13½	17
	300	5½	9½	14	18	26	29
Dixons (*219)	200	28	36	39	4½	10	16
	220	15	24	28	12	18	25
Eurotunnel (*466)	460	31	51	66	25	42	52
	500	13	33	48	52	64	75

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
[illegible]							

FT-SE INDEX (*2833)

	[illegible]
CALLS	[illegible]
PUTS	[illegible]

FT-SE INDEX (*2833)

Mar	10	16	27	43	66	100	140	184
Apr	21	30	42	60	84	115	151	191
May	32	43	58	78	102	130	164	202
Jun	-	55	-	90	-	142	-	210
Dec †	-	115	-	153	-	199	-	253

February 11 Total Contracts 29,005
Calls 17,974 Puts 11,031
FT-SE Index Calls 2,847 Puts 1,498
Euro FT-SE Calls 488 Puts 182
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thu Feb 11	Day's change %	Wed Feb 10	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	120.91	-0.04	120.96	1.36	1.72
2	5-15 years (23)	146.85	-0.17	147.11	1.93	2.01
3	Over 15 years (9)	152.02	-0.40	152.63	1.56	1.28
4	Irredeemables (6)	173.37	-0.05	173.45	2.92	0.00
5	All stocks (61)	142.98	-0.16	143.21	1.69	1.79
	Index-Linked					
6	Up to 5 years (2)	184.31	-0.05	184.40	-0.06	1.51
7	Over 5 years (12)	170.09	+0.16	169.81	0.75	0.62
8	All stocks (14)	170.82	+0.14	170.59	0.64	0.74
9	Debs & Loans (61)	125.53	-0.02	125.56	3.25	0.26

	AVERAGE GROSS REDEMPTION YIELDS		Thu Feb 11	Wed Feb 10	Year ago (approx.)
	British Government				
1	Low	5 years	6.53	6.50	8.57
2	Coupons	15 years	8.14	8.10	9.12
3	(0%-7¾%)	20 years	8.47	8.43	9.12
4	Medium	5 years	7.03	7.01	9.37
5	Coupons	15 years	8.62	8.58	9.20
6	(8%-10¾%)	20 years	8.83	8.78	9.16
7	High	5 years	7.22	7.20	9.60
8	Coupons	15 years	8.90	8.85	9.29
9	(11%-)	20 years	8.99	8.95	9.22
10	Irredeemables (Flat Yield)		8.83	8.82	9.31
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.22	2.19	3.78
12	Inflation rate 5%	Over 5 yrs.	3.63	3.64	4.28
13	Inflation rate 10%	Up to 5 yrs.	1.43	1.40	3.17
14	Inflation rate 10%	Over 5 yrs.	3.45	3.46	4.11
15	Debs &	5 years	8.70	8.71	10.84
16	Loans	15 years	9.67	9.67	10.61
17		25 years	9.91	9.90	10.45

BP faces $630m charge to end Alaskan dispute

By Deborah Hargreaves

BRITISH Petroleum's US subsidiary is faced with a tax charge of $630m (£417m) to end a dispute with the state of Alaska.

The charge reflects a wrangle between the company and the Alaskan authorities which dates back to 1982 over the way the state taxes non-US corporations doing business there.

The company has said it will pay the charge by June 30.

Mr Steve Ahearne, finance director, said that BP had made provisions to cover the tax payment and that it would have no backdated effect on last year's financial results which were announced yesterday.

He also said it would have no effect on the company's commitment to pay down debt at the rate of $1bn a year.

BP yesterday reported a loss for 1992 but pointed out that its fourth quarter replacement cost profit of £193m showed an improvement on £172m in the third quarter and £72m in the same period of 1991.

Replacement cost profit strips out the effects of oil stock losses and gains.

Within the figures, there were bright spots such as a 30 per cent increase in profits from the exploration and production division in the fourth quarter when compared with the third quarter.

The business reported a profit of £515m for the final quarter compared with £396m in the third quarter and £427m in the same period of 1991.

The improvement was largely a result of the stronger dollar since oil prices are quoted in dollars.

For the full year the exploration business made a profit of £1.68bn (£1.7bn) on a replacement cost basis.

Mr Ahearne stressed that BP has cut its costs and improved its operating efficiencies in exploration to report average income per barrel produced of $3.40 compared with Exxon, the industry leader, which makes $3.50 a barrel.

BP said it will book an extra 450m barrels to its oil reserve figures this year. Oil output fell last year to 1.29m barrels a day from 1.36m b/d in 1991.

Gas production slipped from 1.26bn to 1bn cu ft a day.

The refining and marketing division also improved its income in the final quarter in spite of difficult market conditions.

The division reported profits of £117m for the fourth quarter, compared with £75m. Profits for the year, however, declined to £304m (£779m).

Mr David Simon, chief executive, reported "green shoots," in BP's US marketing operations. But Mr Russell Seal, director of refining and marketing, said that European refining margins were "still giving a poor return" and that there were short-term pressures in the market because of over-capacity in some unsophisticated refineries.

The chemicals business reported a fourth quarter loss of £22m which was lower than the corresponding £34m, but the business was showing few signs of recovery.

Mr Simon said it was a "hard slog" in chemicals and that the company would be looking to make several disposals this year. The division incurred a deficit of £24m for the full year, against a £32m profit.

Profits at the nutrition division were £20m in the fourth quarter, compared with £11m in the previous year. For the full year, profits increased to £73m (£39m).

BP is currently in negotiations to sell part of this business to Sarah Lee, the US consumer foods group.

French affair that ended in radio silence

Crown Communications was enthusiastic about its investment in the RFM network, but the move eventually led to its demise. **Raymond Snoddy** reports

NOBODY REALISED it at the time, but the high point for Crown Communications and Mr Christopher Chataway, its chairman, came early in 1989.

On February 6 Crown came top of the Financial Times Leaders and Laggards charts for 1988 with a rise in its share price for the year of no less than 409 per cent.

In an 18-month period the shares had gone from 40p to a peak of 274p and Crown made pre-tax profits of £6.25m in the 12 months to September 1989.

A few weeks later Mr Chataway, a former Conservative minister, enthused about the opportunities in France as Crown bought into RFM, an emerging French commercial radio network.

It was the beginning of the end for Crown, darling of the Unlisted Securities Market, owner of LBC, the London talk station and a company with stakes in more than a dozen other UK radio stations and a rapidly expanding television business.

"A great mistake was made in France and in the end that proved fatal," says Mr Chataway, talking in detail for the first time of the nightmare which led to Crown's receivership last month with debts of £16m.

Mr Chataway, who is also chairman of the Civil Aviation Authority, adds: "It was France that brought the company down. The original investment was a bad one."

He happily admits that both he and Mr David Haynes, chief executive, were enthusiastic for the venture at the time.

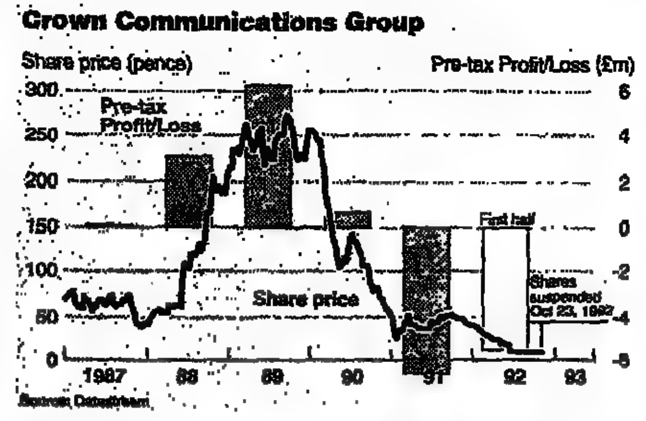
The Crown chairman believes that they got 90 per cent of the analysis right. It was then or never for an outside investor.

Networks were beginning to emerge from the chaos of French commercial radio with its thousands of competing stations. There was serious money to be made.

In fact there were disastrous flaws in the analysis, which Mr Chataway readily admits.

"We weren't equipped to deal with the French broadcasting environment. Despite thousands of stations it is quite a closed world."

Crown Communications Group



It was difficult selling advertising as an independent competing against large groups such as Europe or NRJ. They never, he says, found a manager really capable of effectively running a French radio station. On top of that the ever changing French regulatory system was a quagmire.

"You may be in the radio business and have people who understand radio, but radio is a much more national business." says Mr Chataway.

In short they made virtually every mistake in the book.

Less than 18 months after taking managerial control of the network, which has 114 stations either owned or affiliated, Crown compounded its errors.

By the summer of 1990 the company had started to realise what a mess it was getting into and asked Lazard Freres, the merchant bank, to seek a buyer.

The search, never to be consummated, further underlined the radio network's stability.

"In retrospect what one ought to have done was close it down – if one had known how long the recession was going to last in the UK and therefore the pressures one was going to be under," says Mr Chataway.

Mr Patrick Meyer, founder of RFM, is scathing about the Crown management.

He sold 35 per cent of his stake to Crown, 30 per cent went to Crédit Mutuel d'Artois et de Picardie and he retained the rest. Crown, however, took full managerial control and equally full responsibility for both development costs and losses.

"They didn't know the job and they can't blame anyone else. They changed formats all the time. They did everything wrong from the beginning," says Mr Meyer, who now lives in Arizona.

Apart from changing formats, Mr Meyer claims that Crown:

- Spent money unnecessarily, advertising the station before the format had settled down
- Installed a production studio when there were plenty in Paris to hire
- Misjudged the Conseil Superieur de l'Audiovisuel, the French broadcasting authority, and how it was likely to react.

"They have been very incompetent, which is sad because the people are fair. David Haynes seemed to be the person who knew what he wanted. He brought people together. He was very very very sure of himself. I think Mr Chataway had a more humble approach," said Mr Meyer, who plans to approach the French receiver to buy his network back.

Soon after the RFM acquisition Crown encountered a series of difficulties, aggravated by the recession.

The merger of BSB with Sky meant the end of a lucrative television news contract. The move to new headquarters at Hammersmith, London – inevitable because the company's existing central London lease was running out – increased costs.

Christopher Chataway: great mistake was made

It also took a lot longer than expected to cope with the split of AM and FM frequencies to create two separate services.

LBC, however, is not in receivership and has floated free of the Crown debris after a financial restructuring.

Mr Chataway and other Crown directors insist that without RFM Crown could have coped with its other problems and survived the recession.

Instead the company spent much of the past two years selling its remaining radio stakes in the UK to service debt and losses, while increasingly despairing attempts were made to sell the RFM holding.

They ran into a brick wall last month when the CSA turned down a sale to a consortium that included the rival network NRJ and Mr Alain Ayache, owner of Le Meilleur magazine.

The CSA issued a bitter statement accusing Crown of taking control of 70 per cent of the capital of the company without permission and failing to distribute 21 per cent to the staff and management as promised.

Crown denies this, says the CSA was fully informed at every stage and hints at darker French political machinations.

The sale of RFM was turned down, Crown believes, partly at least because of heavy lobbying from rivals who wanted to make sure NRJ did not get its hands on another network.

Mr Chataway says that he informed Mr Jacques Boutet, the CSA president, in a letter on February 4 that Crown no longer intended to sell 21 per cent to management and that the shares were still in the name of Mr Patrick Meyer.

Who precisely controlled RFM has been a thorny issue from the outset. The agreement between Crown and Mr Meyer was confidential.

Both Mr Chataway and Mr Meyer insist that Mr Meyer did indeed own the shares he said he owned, rather than merely holding them on behalf of Crown.

Mr Meyer also emphasised that Credit Mutuel always acted like real shareholders, taking an active part in board meetings.

Mr Chataway says all the shareholder agreements were drawn up by Freshfields, Crown's Paris lawyers, and were given to Price Waterhouse, the company's auditors, and summaried in the annual report.

It is believed that the confidential shareholder agreements provided for Crown to acquire more shares from Mr Meyer in due course, where this was permitted by the CSA.

What has the debacle cost the Crown chairman? His investment of £170,000 was once worth £2m on paper and now is worth nothing.

"I don't suppose anyone benefits from being associated with a company that goes into receivership. But I am certain I was right to stay on. If I had left at that point (when the problems began) I could have rightly been criticised for leaving a sinking ship," says Mr Chataway, who has decided to step down as LBC chairman.

Mr Chataway, who speaks serviceable French, declares himself still a Francophile – though he is no longer much of a fan of French radio.

Forte to refinance short-term debt via £200m debenture issue

By Richard Waters

FORTE, the hotels group, is raising £200m in the first large debenture issue in the UK for a year and a half.

The long-dated secured bonds are being used to extend the maturity of the group's debt, and to take advantage of low long-term interest rates, said Mr Donald Main, finance director.

"Corporates will face increasing competition for funds with the very large [UK] government borrowing requirement."

The money is being used to refinance part of the group's £940m of short-term facilities, £350m of which is covered by a multiple option facility which falls due next year. The company has £620m drawn under these facilities, said Mr Main.

The bonds, which carry a coupon of 10 per cent and mature in 2018, are secured on 11 of the group's hotels around the UK, including the Waldorf in London. Only £20m of the group's other assets have been used to secure borrowing.

The bonds were priced yesterday to give investors a yield 1.15 percentage points above the nearest comparable gilt, the 8.75 per cent stock due 2017. At that level they offer less than a similar £200m issue from Queens Moat Houses, which yields 1.35 points more than the gilt.

However, the shortage of new long-dated corporate bonds recently prompted good reported demand for the bonds, which came mainly from UK insurance companies and pension funds looking to match the maturity of their liabilities to long-dated assets.

The issue comes less than a week after investors received £120m from the early repayment of a £130m debenture from London & Provincial, the first secured issue in recent memory to repay below par.

Some of this cash is thought to have been reinvested in the Forte issue, helping to create demand.

EFM Dragon bids for Drayton Asia

By John Authers

EFM DRAGON Trust, an Asian investment trust managed by Edinburgh Fund Managers, has made a bid for Drayton Asia Trust, a similar concern managed by Invesco MIM which is almost twice its size.

Invesco MIM did not comment on the bid, which follows last year's payment of £9.5m in compensation to shareholders in another investment trust, Drayton Consolidated.

The bid is for the whole of Drayton Asia's share capital and warrants. The terms are complex, and involve EFM Dragon offering to issue ordinary shares at fully diluted net asset value in exchange for Drayton Asia's ordinary shares at a rate equivalent to 96.4 per cent of the latter's formula asset value. EFM Dragon is also offering to issue three 2005 warrants for every Drayton Asia warrant.

Mr Iain Watt, EFM's managing director, said the aim was to increase EFM Dragon's size, making it the largest UK investment trust for Asia, and benefit from economies of scale.

He pointed out that EFM's share price performance has been better than Drayton Asia's, with growth over the three years to the beginning of this month of 35.43 per cent, compared with growth of only 0.79 per cent by Drayton Asia, according to Micropal.

EFM is also offering to pay half of the compensation fees to Invesco MIM for loss of the management contract. The other half, equivalent to two year's notice, would come from Drayton Asia shareholders.

EFM claims irrevocable undertakings from 13.6 per cent of Drayton Asia's issued share capital and 1.6 per cent of the warrants. It had received letters of intent from 21.4 per cent of the share capital and 16.5 per cent of the warrants.

NEWS DIGEST

Louis Newmark loss mounts

LOUIS Newmark, the Surrey-based watch merchanting, engineering and specialist equipment group, tumbled further into the red in its half year to October 3.

On turnover down 13 per cent to £10.7m (£12.2m), partly reflecting the loss of the Swatch agency in June 1991, the pre-tax deficit increased to £993,000 against £187,000 in the comparable period. Turnover in continuing activities dipped by 1.6 per cent.

The outcome was struck after interest charges increased to £531,000 (£62,000) as a result of the decision to cease capitalising interest on the group's investment in access control systems.

Losses per share were 33.5p (6.3p).

Nevertheless, the directors struck a confident note on current trading. The second half would be materially better than the first, they said, and next year should show continuing recovery.

The company is in discussions with a third party with a view to their making a capital injection.

Black & Edgington cuts deficit to £2.9m

Black & Edgington, the USM-quoted manufacturer and supplier of tubular steelwork, incurred a loss before tax of £2.9m for the year to end-July 1992 against a restated deficit of £8.83m.

Of this, continuing operations were responsible for a deficit of £231,000 (£4.35m). Discontinued operations lost £1.97m (£2.98m) and interest payable took £698,000 (£1.49m).

The result was struck on turnover of £9.48m (£11.3m) of which £8.43m (£9.17m) stemmed from continuing operations.

After reorganisation costs and losses on discontinued activities, the loss for the year after interest and tax was £2.79m against £8.43m. Losses per share were 0.57p (3.98p).

Mr David Gordon, chairman, said the figures indicated a return to profit in the second half, where there was an overall profit of £1.28m (losses £400,000).

ECU Trust net assets increase

ECU Trust reported net asset value per share ahead to 67.5p at end-1992, against 58.7p six months earlier and 58.2p at December 31 1991.

Net revenue for the six months dropped to £35,487 (£53,577) giving earnings per share of 0.12p (0.18p).

Gen Consolidated net asset value rises

Net asset value per capital share of General Consolidated Investment Trust amounted to 182p at December 31 compared with 155.6p a year earlier.

Revenue after tax and minorities fell from £4.76m to £4.42m for earnings of 9.56p (10.7p) per income share. The final dividend is reduced to 1.71p (2.75p), making a total of 9.37p (10.41p).

Net asset value growth at Pantheon

Over the six months to December 31 the net asset value of Pantheon International Participations advanced from 139.7p to 177.7p. A year earlier the value was 120.5p.

Mr Tom Griffin, chairman, said part of the increase was caused by the agreed takeover of a direct investment, Womens Federal Savings & Loan, at a significantly enhanced value, and the strength of the dollar.

However, because of a redemption of loan stock and a number of large investments, there was an overall reduction in cash balances and accordingly a lower level of income. That resulted in a net loss for the six months of £57,000 (£241,000 profits). Losses per share amounted to 0.39p (1.65p earnings).

Glenchewton sells offshoot for £1.25m

Glenchewton, formerly Cowan de Groot, is selling loss-making Napper & Norman, a wholesaler of hardware and DIY products to the independent retail trade, for £1.25m cash.

The purchaser is a subsidiary of Marlowe Holdings, a substantial shareholder in Glenchewton.

Napper & Norton incurred a pre-tax loss of £184,000 for the year to April 30 1991. In the subsequent eight months, a small profit of £2,000 was made, but a substantial trading loss is indicated for 1992.

Recovery continues at Ryanair

Ryanair, the independent Irish airline, reported after-tax profits of I£850,000 (£885,000) for 1992 on turnover of I£50.1m.

The outcome marks the second successive year of profitability for the airline since it was set up in May 1986. Ryanair had accumulated losses of I£20m up to 1990.

Mr Conor Hayes, chief executive, said the improved performance resulted from the closure of the loss-making regional routes from Ireland to the UK, the disposal of its turboprop aircraft and the introduction of a new competitive fare structure with a "no-frills" service on its principal Dublin-Stansted route.

The group is now the second biggest airline user of Dublin airport after Aer Lingus, the state-run airline, and the largest scheduled operator at Stansted airport. Aer Lingus operates out of Heathrow.

Asset value ahead at Finsbury Smaller

Finsbury Smaller Companies Trust had a net asset value per share of 116.7p at December 31, an 11.4 per cent increase on the 104.8p of a year earlier. At January 31 1993 it was 131.8p.

Net revenue was £283,000 (£229,000) for earnings of 3p (2.9p). The proposed final dividend is 2p for a total of 3p (2.9p).

London and Manchester expands

London and Manchester Group is expanding its product distribution network by the acquisition from Provident Financial of a company with a portfolio of motor vehicle hire purchase loans valued at £26.3m.

The business will be managed by Welcome Financial Services, LMG's consumer finance subsidiary.

Consideration was £100,000 cash. The company acquired is being financed by borrowings of £22.1m provided by Union Bank of Switzerland in London on a non-recourse basis and £4.1m being provided by LMG on a subordinated basis.

Asset value improves at Drayton Far East

Drayton Far Eastern Trust had a net asset value of 107.3p per share at December 31 1992 against 96.3p a year earlier.

Net revenue for the year improved to £1.09m (£1.05m), equivalent to earnings of 0.94p (0.92p) per share. An unchanged final dividend of 0.5p is proposed to maintain the total at 0.625p.

Net borrowings cut to £849m and likely to be further reduced

Lonrho tumbles 61% to £80m

By Roland Rudd

LONRHO, the international trading group, reported a 61 per cent fall in pre-tax profits for the year to September 30 1992, in line with the forecast made before its recent rights issue.

Profits before tax fell from £205m to £80m on reduced sales of £3.87bn (£4.85bn).

Profits before extraordinary items fell from £90m to £8m.

Net borrowings have fallen from £1.09bn to £849m because of minority investment in group businesses and the sale of subsidiaries and associates.

Last year the government controlled Libyan Arab Finance Company purchased a one third stake in the Metropole Hotels for £177.5m.

Without the disposals and minority investments net debt would have increased, mainly because of the high capital expenditure running at £182m (£237m).

At the time of the rights issue Lonrho said net debt had risen to £947m.

This has now fallen after the £124m sale of VAG, the UK importer of Volkswagen and Audi cars, and the cash call.

The bulk of the group's bank loans are due within one to five years.

Mr Dieter Bock, the German financier who was recently appointed joint chief executive with Mr Tiny Rowland, said the group was committed to further reducing borrowings through minor disposals.

Net interest payable amounted to £99m (£112m). A further £21m (£27m) was capitalised during the period.

The 1991 figures were adjusted to take account of the group's decision to eliminate the "intangible" value of £117m of its remaining newspaper title, The Observer.

The separate businesses reported the following pre-tax profits: motor and equipment distribution £14m (£32m); general trade £14m (£35m); manufacturing £3m (£6m); mineral extraction and refining £29m (£77m); leisure £3m (£13m); financial services £4m (£23m) and agriculture £13m (£19m).

The tax charge for the year fell from £60m to £38m because of the fall in profits and the sale of VAG.

Net assets per share, adjusted for the rights issue and the sale of VAG, were 157p.

Earnings per share fell from 13.9p to 1.2p and a recommended final divided of 2p brings the total for the year to 4p (13p).

COMMENT

Lonrho's only real surprise was that it published a set of figures which contained no surprises. The City has come to expect the worst from Lonrho and was therefore relieved that the group's results were no more disappointing than its own forecast of last year. This mainly explains the 7p rise in the shares which closed at 82p. But the figures are not a cause of celebration. In terms of fundamentals nothing has changed. Profit before tax fell in all the group's activities and geographical areas. It will take a significant rise in the price of gold and platinum before mineral extraction and refining profits return to previous levels. With forecast pre-tax profits of about £100m, giving earnings per share of 3p, the shares are on a prospective multiple of 27, which reflects the collapse in profits.

Exchange rate gains behind rise at BOC

by Richard Gourlay

BOC, the industrial gases and healthcare group, reported a 13 per increase in first quarter profits, helped by gains on translation into sterling.

The company said that while the increase was in line with expectations, the quarterly comparison would not be indicative of trends during the remainder of the year.

Pre-tax profits for the three months to December 31 rose from £80.1m to £90.8m on sales up 9 per cent at £776.8m.

Earnings per share rose 11 per cent to 11.81p.

Using constant exchange rates, BOC said its operating profit after interest would have increased by only 6 per cent instead of the reported 12 per cent increase to £89.7m.

The health care division improved sharply, with operating profit rising 42 per cent to £32.5m on sales up 27 per cent at £152m.

BOC said this improvement followed aggressive restructuring, a more regular sales pattern than last year and the benefit of dollar exchange rate movements.

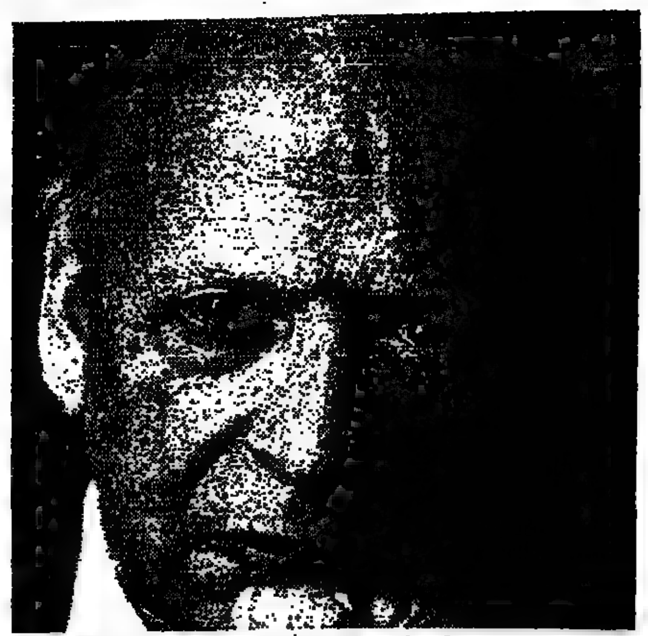
In the gases division, operating profit edged ahead from £72.7m to £73.8m on sales up 8 per cent to £545.3m. The increase in operating profit in North America was partly offset by a fall in operating margin and profit in Europe.

The company warned that the expiry of the patent protection for Forane anaesthetic pharmaceutical would begin to affect the health care business during the year.

Mr Patrick Rich, chairman, said there were few signs of better trading conditions. "We are fairly optimistic about prospects in the US, but in some parts of the world the conditions deteriorated further during the first quarter."

Rothmans to merge Far East tobacco interests

By Philip Rawstorne



Lord Swaythling: It takes time to turn developing markets into profit and we believe this plan will quicken the process.

ROTHMANS International plans to merge its tobacco interests in Malaysia, Singapore and Hong Kong into a single regional company to strengthen its attack on the Far East's developing cigarette markets.

The move would provide the new company, Rothmans of Pall Mall, capitalised at more than £1bn, with cash resources and management expertise to accelerate the exploitation of cigarette markets in China, Vietnam, Japan, South Korea and Taiwan.

In what Lord Swaythling, Rothmans International chairman, described yesterday as a "constructive reconstruction," the group would integrate its wholly owned Hong Kong-based interests with the operations in Malaysia and Singapore in which the group has a 50 per cent stake.

The new company, with ownership equally divided between Rothmans International and public shareholders, would have an estimated £242m cash – currently held by the Malaysian and Singapore companies – to develop production, sales and distribution in the growth markets.

Mr Nyren Scott-Malden, analyst at BZW, said yesterday: "This is a clever plan which would bring more coherence to the Far East operations. It would enable the group to use the cash built up in the mature markets of Malaysia and Singapore to exploit the biggest growth markets in the world."

The Hong Kong subsidiary has rights to the markets in China, which accounts for a third of world cigarette consumption with 1,700bn cigarettes a year, Japan (320bn), South Korea (96bn), Hong Kong and Taiwan. The Singapore company has access to markets in Thailand, with consumption of 40bn cigarettes a year, Vietnam, Cambodia, Laos and Burma.

Rothmans International has already invested heavily in the Hong Kong-based development. Trading losses of £16m, reflecting the establishment of distribution networks and marketing costs, were written off last year.

Lord Swaythling said: "It takes a long time to turn developing markets into profit. We believe that this plan would quicken the process by using the full management and cash resources available in the region."

The merger will require the approval of public shareholders who hold 50 per cent of the Malaysian and Singapore companies, as well as that of regulatory authorities in Hong Kong, Singapore and Malaysia.

Establishment of the new organisation, to be incorporated in Bermuda and managed from Hong Kong, is expected to take at least nine months. The company would seek listings on the Hong Kong, Kuala Lumpur and Singapore stock exchanges.

Directors would be drawn mainly from the present Malaysian and Singapore boards and regional executives would play an active role in developing the group.

Rothmans Malaysia, capitalised at M$3bn (£800m), made pre-tax profits last year of M$326.6m on sales of M$1.1bn. Rothmans Singapore achieved pre-tax profits of S$48.3m (£20m) on sales of S$161m in the nine months to March 1992. It is capitalised at S$750m.

Rothmans International said yesterday that the merger would result in some initial dilution in the earnings attributable to public shareholders in the present Far East companies but should enhance the potential for future growth.

"The expected financial strength of the new company would be such to indicate that a higher pay-out of dividends should be appropriate in future," it added.

Crest returns to the black with £2m

By Paul Taylor

CREST NICHOLSON, the Surrey-based housebuilder, commercial developer and construction group, moved back into profit in the year to October 31, reflecting improved performances in all three divisions.

Pre-tax profits of £2.03m compared with losses of £59.4m in the previous year when the group made exceptional provisions of £39.8m to cover the write-down of its residential and commercial land and developments because of falling property prices.

At the operating level the group swung from losses of £7m to profits of £9.47m. Turnover declined to £238.2m, a fall of 27 per cent on the previous year's £324.2m.

The pre-tax figure was struck after interest charges of £7.44m (£12.6m) reflecting a decline in both average borrowings and interest rates.

Net borrowings at end-October of £62.7m (£54.7m) represented gearing of 59.6 per cent (50.6 per cent).

An extraordinary charge of £2.93m mainly related to the sale of the loss-making En-tout-cas sports surface and leisure business last year.

Losses per share worked through at 0.13p (55.67p) and the company is again paying a nominal 0.01p dividend.

Commenting on the results Mr John St Lawrence, chairman, said the improved performance demonstrated the benefits of the group's determination to concentrate on core businesses.

However, both he and Mr John Callcutt, chief executive, cautioned that the market remained "extremely tough" and that the first half results this year were likely to be below those of last year.

For 1991-92 the core residential division reported flat turnover of £121.2m (£120.9m) and an operating profit of £7.8m (£6.4m loss) while the absence of write-downs enabled the division to record a pre-tax profit of £4.8m (£47.2m loss).

The division sold a record 1,465 (1,435) units last year at an average price of £76,000 (£78,000). The margin on house sales increased from 7 per cent to 16 per cent.

The property and construction divisions also recorded modest operating profits last year despite declining turnover.

The construction division made an increased pre-tax profit of £1.9m (£1.5m) while the property division managed to substantially reduce its pre-tax loss from £12.4m to £2.3m.

COMMENT

The new management team has refocused the group and pointed it towards recovery, but it remains an uphill struggle. It is taking longer than expected to find tenants for the completed commercial portfolio, which will then be sold to reduce borrowings. In the meantime, bank facilities of £151.5m look more than adequate. Despite renewed signs of life in the housing market, the management remains cautious. Construction margins are under pressure and the property division remains becalmed at best. Interim results are likely to be disappointing and full year profits of £2m are likely again. The management, and the market, are looking to 1994 for any real improvement. In the meantime those looking for housing recovery stocks can find purer plays.

Industrial Control Services improves 30% to £2.37m

By Paul Taylor

INDUSTRIAL Control Services Group, the electronic safety systems manufacturer which obtained a listing last May, yesterday reported a 30 per cent increase in interim pre-tax profits.

For the six months to November 30 profits rose from £1.82m to £2.37m. Earnings per share increased to 3.82p (3.47p) out of which an interim dividend of 1.33p will be paid.

Turnover edged ahead to £30.1m (£29.9m), as did operating margins which improved to 9.1 (8.7) per cent. Operating profit, including £142,000 (£30,000) of foreign exchange gains, was £2.73m (£2.62m).

The group also benefited from interest savings arising from the flotation proceeds and interest rate cuts during the period. Interest charges fell to £357,000 (£805,000).

Mr Peter Hall, chairman and chief executive, said that although the global economic position continued to affect adversely the rate of investment in ICS's markets, "increased safety and efficiency standards in the oil and gas industries continue to create opportunities for retrofit projects for the group."

He said continued focus on reducing costs had ensured that both margins and competitive position had been maintained which had enabled ICS to invest in a strong sales operation in the Middle East.

Motor World shares hit 275p

By Andrew Bolger

Trading in Motor World Group, the car parts and accessories retailer, got off to a racing start yesterday when the shares jumped to 275p, a substantial premium to the 210p at which 45.3 per cent of the group's equity had been placed.

Beeson Gregory, the stockbroker, placed 5.97m ordinary shares, valuing the group at £27.7m, but last night's close gave the group a market capitalisation of £36m.

The shares started trading at 259p, and dealers said interest from private clients was behind the heavy turnover.

Motor World now has 180 outlets.

Six MPs support Airtours' bid

By Richard Gourlay

SIX MPs have supported Airtours in a parliamentary early day motion, hitting back at a larger group of MPs who last week called for the holiday company's bid for Owners Abroad to be referred to the Monopolies and Mergers Commission.

The MPs, led by Mr Barry Porter, Conservative MP for Wirral South, congratulated Airtours on its "innovative practices".

The cross-party motion said the proposed acquisition would benefit consumers and would bring a wider selection of affordable holiday destinations departing from regional airports.

The name of Mr Gordon Oakes, Labour MP for Halton, initially appeared on both the motion calling for referral to the MMC and the motion supporting Airtours.

Mr Oakes is understood to be completely in favour of the takeover. A signature purporting to be his is understood to have been placed on an order paper at the Commons Table Office saying he was in favour of the motion calling for referral. His name has now been withdrawn from that motion.

Yesterday Owners Abroad's shares rose 3p to 118p while Airtours slipped 1p to 280p as the market moved towards the belief that the bid would not be referred.

Union Discount in talks on its future ownership

By Richard Waters

UNION DISCOUNT, the discount house group which was the subject of a bid approach late last year, is now discussing a merger with another specialist operator in the short-term money market, it emerged yesterday.

Union, under chief executive Mr George Blunden, has been fighting to rebuild its core money market businesses since a disastrous diversification into leasing and property lending in the 1980s. The group's share price slipped from a high of 500p in 1990 to only a tenth of that value before the bid approach, and yesterday remained steady at 100p.

In a statement after the market closed, Union said that talks about its future ownership were continuing, but that they "may be resolved by a number of possible structures."

These include a takeover, a merger with another company or an offer for the other company. The announcement is thought to indicate that Union is in merger talks with another specialist money market group, although a bid is still possible.

Directors of Cater Allen, the money broker which owns 3 per cent of Union and whose name has been most often mentioned as the potential bidder, could not be contacted for comment yesterday evening.

Merivale settles dispute over building collapse

MERIVALE MOORE, a property company, has won several million pounds as a settlement of its four-year dispute over the collapse of a building in Battersea.

The company took legal action against Royal Insurance, Commercial Union, Bovis, Fairclough and Grove Consultants, a subsidiary of Wimpey. The size of the final settlement will depend on the resolution of a related dispute with another insurance company.

The dispute concerned a 45,000 sq ft building at Ransomes Dock, near Albert Bridge in Battersea, that was being converted into flats and offices. In January 1989, a wall collapsed after the building's sub-structure was weakened by nearby construction work.

Mr Granville Dean, chairman, said that the settlement would have a healthy impact on the company's net assets. At the last year end, on June 30 1992, it had net assets of £10m and borrowings of £40m.

Two thirds of Merivale Moore's business is concerned with commercial property, particularly an office campus in Cambridge. It also owns flats in London's St Johns Wood.

Platon board rejects Wills bid

Mr Robin Meyer, chairman of Platon International, said yesterday that the board of the USM-quoted instrumentation group "unanimously rejected" the "unwelcome" offer from Wills Group, which it believes "significantly undervalues Platon and its prospects. He advised shareholders to take no action in relation to their shares nor to any Wills documents and announcements.

Wills, an industrial, electronic and automotive products company, launched its £2.7m bid on February 8.

Lancashire Ents advances 16%

Lancashire Enterprises, the economic development arm of Lancashire County Council which was privatised by public offer three years ago, raised pre-tax profits by 16 per cent from £2.12m to £2.46m in 1992.

Turnover rose 9 per cent to £12m (£11m). A final dividend of 8.5p makes 12.5p (11p) for the year.

The company specialises in training, economic consultancy and industrial property conversions and has started exporting its Lancashire experience to eastern Europe.

Symonds slides into the red

Symonds Engineering, the Hertfordshire-based engineer, fell into the red in the six months to September 30.

Pre-tax losses of £155,755 (profits £123,523) were struck on sales of £2.31m (£2.67m).

Losses per share were not supplied: last time earnings were 0.892p. The interim dividend is halved to 0.15p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
BP	fin	2.1	May 7	4.2	10.5	16.8
Crest Nicholson	fin	0.01	Apr 19	0.01	0.01	0.01
Drayton Far East	fin	0.5	Apr 2	0.5	0.625	0.625
Finsbury Smaller	fin	2	Mar 10	1.9	3	2.9
Fulcrum Inv Tst	int	2.65‡	Mar 31	-	-	-
Gen Consolidated	fin	1.71	Apr 2	2.76	9.37	10.41
Indust Control	int	1.33	Apr 26	-	-	0.3
Lonrho	fin	2	Apr 16	6	4	13
River/Merc Gear	int	1.4‡‡	Mar 26	1.4	-	7.53
River & Merc Tst	fin	2.45	Apr 8	3.68	9.2	8.48
Symonds Eng	int	0.15	Mar 1	0.3	-	1

Dividends shown pence per share net except where otherwise stated. ‡Third interim making 8.75p to date. ‡‡Third interim making 4.2p to date.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Bucknall.

Finals- Alexanders Hldgs, Anglo & Overseas Trust, Lloyds Bank.

FUTURE DATES

Interim-

Joe	Feb. 24

Finals-

BAT Inds	Mar. 10
Brierley Inv	Sep. 9
English & O'seas Prop	Feb. 16
Greenwich Resources	Feb. 16
Headline Book Publishing	Mar. 25
Hillsdown Hldgs	Mar. 9
Jeyes	Mar. 30
Rugby	Mar. 15
SmithKline Beecham	Feb. 23
Unilever	Feb. 23

JOBS: Despite evidence on what really makes for high performance, employers stick to faulty measures

At last, a gleam of practical intelligence

FOR all its own obdurate optimism, the Jobs column must bow to PA Consulting Group when it comes to looking determinedly on the bright side.

After questioning 88 large employers in Britain, the group cheerily declares that the freeze on the recruitment of university graduates is lifting. The stated reason is that: "Only 5 per cent of blue chip organisations surveyed do not intend to recruit any graduates in 1993."

How things have changed. It's not long since the opposite of a cheering interpretation would have been put on the same survey finding, which could equally well be re-worded to read: "As many as one in every 20 big organisations will be recruiting no graduates whatsoever."

There is nevertheless little doubt that PA's happier wording will be thought preferable by Britain's government. After all, its educational prescription for the country's economic and social health is evidently to shackle teachers ever more tightly to the task of getting their charges through a succession of academic examinations, culminating in those for university degrees.

True, no one has yet explained precisely how such exam-passing will increase the nation's future well-being, and the results of past expansions of degree-level study are hardly encouraging. But given ministers' enthusiasm for expanding it still more, they must be comforted to see that 95 per cent of big employers intend to take on at least one graduate.

Alas it may have blinded them to a couple of clouds no bigger than a man's hand, which unlike the one made famous by the prophet Elijah are not necessarily omens of good. The first cloud is represented by the appearance of the Yale University psychologist Robert Sternberg at the Ciba Foundation's recent London conference on human ability. The second is a staff development programme at Nuclear Electric, the state-owned outfit running nuclear power stations in England and Wales.

Professor Sternberg's research includes studies, in harness with fellow-shrink Richard Wagner, into what makes for productive performance at work. And one of the findings which he spelt out to the conference was that results in academic exams are no guide to teaching or research ability, let alone to practical and creative potential.

"Many people with high test scores at school will get good university grades. But this doesn't indicate they will be successful in later life; people with lower scores may be more successful," he said. "The bottom line is that we need to recognise and think about giftedness in ways other than just looking at academic standards. What matters at school doesn't matter nearly so much in later life."

The factor which does matter is what he calls tacit knowledge or practical intelligence, which does not correlate with standard IQ. He defines it as "knowledge that usually is not directly taught, spoken about or written about, in contrast to knowledge directly taught in classroom" – the know-how typically acquired in doing something for real. He and Dr Wagner have also worked out methods of identifying same.

Now, one of the ways which history has shown to be least effective in changing ingrained habits is to have them exposed as stupid by a professor on the basis of cogent research. For example, the Jobs column described Robert Sternberg's findings at length nearly eight years ago only to see Britain's counter-productive obsession with exam-passing become more compulsive still.

Even so, this time there is reason to hope the outcome may be different, because Nuclear Electric has got into the act. It has taken the Sternberg-Wagner ideas on the productive worth and indentification of tacit knowledge, tested them carefully in the workplace, and – as was demonstrated by the company's Max Choi at last month's British Psychological Society conference – they work.

As a result, he said, "our development programme is now focused on practical intelligence." And although Nuclear Electric is but one among many employers, the intelligent step it has taken may point a better way to greater well-being than all the graduate recruitment in the world.

MEANWHILE, whatever may become of PA's optimism about the employment prospects of the next crop of degree-winners, its survey gives much information about graduates of former years who not only found but are still in jobs. As the underlying table gives only a sample of it, anyone wanting the full report which is priced at £445 should contact Jenny Cambridge at 123 Buckingham Palace Rd, London SW1W 9SR; tel (0)71-730 9000, fax (0)71-333 5050.

My extract takes two sorts of employed graduates: one deemed adequate though no more than that in the job, and the other considered a high-flier. The table shows the typical pay of each sort after various lengths of time in 13 types of work. "Accounting" covers the in-company variety as well as professional practice, and the pay figures include bonuses in addition to basic salary.

Where the types of work are ranked in the table is determined by the differential which the high-flier enjoys over the adequate performer after five years' service. The variances strike me at least as surprising, if not downright bewildering. The range runs from nearly 32 per cent in the case of production to a mere 2.2 per cent in chemical engineering.

Michael Dixon

Type of work	After 6 months Adequate £	After 6 months High-flying £	After 1 year Adequate £	After 1 year High-flying £	After 18 months Adequate £	After 18 months High-flying £	After 3 years Adequate £	After 3 years High-flying £	After 5 years Adequate £	After 5 years High-flying £
Production	12,886	12,963	13,678	14,290	15,057	17,524	17,745	21,236	20,642	27,188
Management generally	12,757	12,790	12,839	13,565	14,251	16,156	16,090	18,810	18,504	22,870
Personnel	14,069	14,469	14,828	15,350	16,086	16,613	17,820	18,860	20,593	23,935
Retail management	12,867	13,267	13,490	14,143	14,812	15,606	15,848	17,213	18,173	20,933
Electronic engineering	15,602	15,630	17,247	16,054	18,450	19,593	20,706	21,867	24,509	27,761
Research & development	14,309	14,682	15,105	15,685	16,170	16,894	17,674	19,205	19,846	22,284
Computing	14,069	14,109	15,206	15,759	16,187	16,952	17,663	19,322	20,921	23,257
Banking	13,326	13,326	14,034	14,080	15,349	15,599	17,262	18,203	19,451	21,632
Mechanical engineering	13,563	13,583	14,009	14,333	14,896	15,123	15,963	16,776	20,200	22,031
Sales and marketing	14,894	14,944	15,921	16,271	16,234	16,705	19,080	19,988	22,050	23,673
Insurance	13,172	13,362	13,496	14,010	14,256	14,735	15,045	15,425	17,174	17,847
Accounting	13,082	13,226	13,958	14,102	16,228	16,665	20,174	21,332	27,150	27,900
Chemical engineering	15,368	15,610	16,447	16,820	18,582	18,873	20,047	20,379	22,039	22,518
Overall	14,009	14,141	14,861	15,340	15,954	16,819	17,892	19,280	20,791	23,452

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In your role as accounting officer of a public body, you will have personal responsibility for the effective and economic management of the Agency's resources including its budget, initially around £250m a year.

The appointment is for a fixed term of up to 5 years with the possibility of an extension on an annual basis. It attracts a salary of around £90k, including performance-related pay, with the possibility of more for an exceptional candidate.

This appointment is subject to the enactment of the Housing and Urban Development Bill which is now before Parliament.

For further details and an application form (to be returned by 12 March 1993), write to Recruitment & Assessment Services, Alencon Link, Basingstoke, Hampshire RG21 1JB, telephone Basingstoke (0256) 468551 or fax (0256) 846374 / 846565. Please quote ref: B/1820.

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Lisbon, February 1st 1993

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Institute Prize for the Principles of Economics Paper
Philip A. Adams - Sanwa International PLC

Institute Prize for the Statistics & Financial Mathematics Paper
John P. Monks - Henderson Investment Services Ltd
-and-
Errol C. Francis - Baring Investment Mgt Ltd

Extel Financial Prize for the Securities and Investment Paper
Helen E. Thomas - NM Rothschild Asset Management

Rinda Prize for the Interpretation of Accounts and Corporate Finance Paper
Cyrus D. Jilla - Schroder Investment Mgt Ltd

Financial Training Prize for the Investment Regulation and Practice Paper
Michael W. Weston - Postel Investment Mgt Ltd

The Wincott Foundation Prize for the Case Study Paper
Nigel P. Jenkins - NM Rothschild Asset Mgt

The following also successfully completed their Institute examinations in November 1992:

M.K. Al-Romaithi	Abu Dhabi Investment Authority
M.J. Arnold	Hambros Bank
S.L.B. Baker	Schroder Securities
A.N. Barwick	County NatWest Investment Mgt
I.G. Bennett	First National Building Society
A.P. Brown	Lloyds Investment Office
R.A.C. Buckland	County NatWest Securities
O. Butler	Investment Bank of Ireland
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N.A. Cessford	Murray Johnstone
R.J.E. Chisholm Batten	Mercury Asset Management
M.N Coop	Bacon & Woodrow
I.R. Davis	De Zoete & Bevan
K.D. Dick	Norwich Union Life Insurance
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M.C. Felton	Sun Alliance Investment Mgt
S.J. Ford	Commercial Union Asset Management
N.C. Foundly	Cooperative Insurance Society
A.A. Fraser	Scottish Widows Fund
J.E. Garrison	Schroder Investment Management
M.B. Inglis	Mercury Asset Management
A.E. James	NatWest Capital Markets
N.P. Jenkins	NM Rothschild Asset Mangement
L. Jesson-Fellows	Credit Suisse First Boston
I.R. Knight	Morgan Stanley Asset Management
I. Lazaridis	Norwich Union Life Insurance
R.B.R. Leonard	Lazard Investors
A.M.J. Little	Scottish Widows Fund
L.W. MacRedmond	CIN Management
R.J. Matthews	Gartmore Investment Management
S.C. Maughan	Schroder Investment Management
C.D. McQueen	Phillips & Drew Fund Management
G.D. Miller	National Mutual Life
A.A. Minhas	Abu Dhabi Investment Authority
M.G. Morris	Sun Alliance Investment Management
P.R. Mortimer	Gartmore Investment
J.C. Moulding	Fuji International Finance
N.W. Murphy	Chasophie
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M.R. Nizzik	Greig Middleton
A.J. November	Confederation Life
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T.M.H. Reid	De Zoete & Bevan
C. Rice	Scottish Amicable Investment Mgt
S.M. Richardson	Martin Currie Investment Managers
N.D.D. Roberts	Mercury Asset Management
N.L. Roberts	Mercury Asset Management
R.A. Rowland	Lazard Bros
T.F.L. Ryan	Chiyoda Life Europe
M.A. Saunders	Pallister-Moller & Co
D.A. Semple	Murray Johnstone
M.D.R. Shapley	Alder Investment Management
C.M. Sim	Barclays de Zoete Wedd
P.R. Small	Scottish Widows Fund
D.L. Smith	Minet Consultancy Services
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Poacher turned gamekeeper has accountants in his sights

Andrew Jack explains the little-known background to Michael Heseltine's attack on 'wealth managers'

A WELCOMING sight lies just a few pages inside the front cover of the freshly-printed 1993 *members' directory of the Institute* of Chartered Accountants in England and Wales. It is a smiling photograph of Mr Ian Plaistowe, this year's president.

But if Mr Michael Heseltine, the UK secretary of state for trade and industry, were to turn to the previous page, he would be unlikely to share that facial expression for long. Judging by a speech he gave last week, he would probably substitute a gritty grimace for the grin.

The page proudly states that the institute counted 100,135 members on its rolls by July 1 last year. The rest of the directory – all 1,500 pages of it in microscopic print – is devoted to listing each of them and their firms.

By the end of last month, that figure had risen to 102,390. There was even a formal presentation of an engraved paperknife to the lucky 100,000th member. Mr Heseltine would no doubt have preferred to offer a mallet, or some other more practical industrial object.

In a sombre address to the Scottish Division of the Institute of Directors in Edinburgh last Friday, he criticised what he saw as Britain's imbalance of "wealth managers" to "wealth creators", contributing to the lack of innovation in business. Accountants and lawyers were high up his hit list.

While the route to the top of German and Japanese companies is through engineering, science or research qualifications, in the UK it has been through "the City, Parliament and above all accountancy," he said. "I find it hard to believe this offers us the best way ahead."

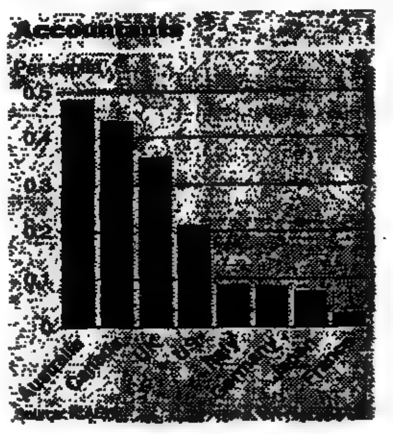
Knocking comments about accountancy are nothing new. It may be one of the world's younger professions, but it has long been the butt of jokes and dismissive comments. Early last year, Mr Akio Morita, the chairman of Sony, described as "very curious" the fact that many UK companies are headed by accountants rather than engineers. Some bruised beancounters have taken particular satisfaction in seeing Sony's own financial position deteriorate since that time.

But Mr Heseltine's prominence as head of the government department with responsibility for British industry and for monitoring and regulating accountants, means that his comments are worthy of attention – and given even greater weight by the comparative silence on the subject by Mr Neil Hamilton, his junior minister.

To be fair, his dismissive remarks were only part of a wide-ranging speech on the need by companies to take a longer-term view. But the opinions certainly struck a raw nerve in Mr Plaistowe, who wrote an indignant response to the secretary of state on Monday in which he said he was "surprised and disappointed".

He accused the minister of falling into "a notorious elephant trap" by making comparisons with other countries, and asked him to address the issue of why so many talented young graduates considered accounting such an attractive career. "We have a qualification which is highly prized," he said yesterday. "People choose it because it gives them a wide range of options."

Mr Heseltine's antagonism towards accountants is not new. In his book Where there's a will published in 1987, *he says auditors should ideally be* appointed by a body independent of a quoted company's board. He says auditors should be banned from conducting non-audit work such as management consulting for audit clients.



He also tells how he helped create the Audit Commission for local government, rejecting the idea that an auditor could be independent when appointed by the local authority on which it was reporting.

But his views have apparently hardened in the last few years. In 1990, he was still reported as claiming in a speech that "*accountancy is not boring*" and that it provides "wonderful training" as a preparation for business.

Sigmund Freud would no doubt have drawn considerable significance from Mr Heseltine's early experiences as an accountant. Though strangely missing from Who's Who and other biographical reference works, the minister began his career as an articled clerk with Peat Marwick Mitchell, now part of KPMG Peat Marwick, in the 1950s – but failed the final exams.

He did extremely well by the profession, founding the weekly journal Accountancy Age through his publishing company Haymarket, and then selling it at a healthy price. The relationship may have begun to sour in the 1980s, when he launched another journal called Account, which folded within a matter of months.

Whatever the reason, Mr Heseltine has a point. Both the absolute number of accountants and their proportion of the population in the UK is very high. Add the Scottish and Irish to the English and Welsh chartered accountants, include the certified, public *finance and management* accountants, and the total quickly tops 200,000.

As the table shows, these levels are substantially above those in Japan and Germany. In between come a number of tax havens or countries *with favourable regimes for multina*tional companies, such as Luxembourg and Gibraltar. The only countries with more accountants per capita than the UK are members of the Commonwealth such as Australia and Canada.

Conclusions and trends are certainly very difficult to draw from these figures. Some of the statistics are outdated, and others not entirely reliable. The abilities, qualifications and range of functions carried out by members of the different professional bodies varies widely between countries. In Japan, they cease to be counted as accountants once they leave public practice.

In the UK, by contrast, many of those with accountancy qualifications do not work in public practice at all. More than half of chartered accountants work in business and industry, and a significant proportion – particularly of the certifieds – work in other countries.

None the less, Mr Heseltine's argument is partly echoed by Mr Peter Davis, chairman of the Board of Chartered Accountants in Business, and out-going finance director of Sturge Holdings. "Accountants are not generally good wealth creators, initiators or risk takers," he says. "But Britain is still producing its share of entrepreneurs, and accountants have an important secondary role in business."

Perhaps what the professional bodies should consider is a more radical overhaul of their syllabi to make them more relevant to the majority of recruits who move into business after qualifying. But Mr Plaistowe makes a fair point when he says accountants can hardly be blamed for any failure of other businesses to make sufficient investment to attract as many good recruits.

Arguably, Mr Heseltine, wearing his hat as regulator of accountancy, should be returning to the thoughts in his book six years ago about conflicts of interest and the question of to whom auditors should report. As with the number of accountants, these issues have only continued to grow in the meantime.

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KIDSONS IMPEY Marketing Consulting

FT NEWSPAPER of THE YEAR

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MP

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Please contact **Joe Thomas**, quoting reference 93-2-A.

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Please contact **Pippa Curtis**, quoting reference 93-2-B.

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Please contact **Liz Osborne**, quoting reference 93-2-E.

Please contact the relevant consultants by sending your CV to 410 Strand, London WC2R ONS or fax to 071 379 4820. Telephone number is 071 836 9501.

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COMMODITIES AND AGRICULTURE

Palladium hits 32-month high on Japanese buying

By Kenneth Gooding, Mining Correspondent

THE PRICE of palladium, a metal used mainly in consumer electrical goods and as a dental alloy for filling teeth, yesterday reached $119 a troy ounce – its highest level for 32 months.

Two reasons were suggested by traders and analysts: concern about supplies from Russia, which accounts for about half the world's palladium output; and speculative activity on the Tokyo Commodity Exchange, which launched a palladium futures contract in August last year.

Traders suggested that the price could reach $120 an ounce this week, and possibly $125 an ounce by the time Tocom's February palladium futures contract expired on February 24. They predicted, however, that it would then quickly drop back.

Traders said the price "spike" was being caused by speculators who had sold palladium they did not own in the hope of buying it later at a lower price scrambling to obtain metal to cover their obligations.

Ms Rhona O'Connell, analyst at Williams de Broë, part of Banque Bruxelles Lambert, said that, apart from the Tocom activity, market sentiment was being influenced by the fact that contract negotiations between Russia and Japanese palladium users had been delayed two months. This suggested something was wrong in Russia where supplies had fallen by 15 per cent last year and were likely to fall again in 1993. Also the interest rate on leased palladium had risen to more than 10 per cent, which indicated supplies were tight.

Last November Johnson Matthey, the world's biggest platinum marketing group, estimated 1992 palladium demand would rise by 2.9 per cent to 3.86m ounces while supply would fall by 4.1 per cent to 3.75m, giving a supply shortfall of 110,000 ounces.

However, Mr Neil Carson, JM's marketing director, platinum, pointed out yesterday that this followed two years of oversupply. "There is no real shortage of palladium, there is plenty about." JM believed there were no supply hitches in Russia but exports were being held up by bureaucrats who did not understand the workings of the precious metals markets.

Chromium price fall hits Albanian revival plan

By Kenneth Gooding, Mining Correspondent

ALBANIA'S ATTEMPTS to attract foreign investment into its chromium industry, which until 1990 accounted for about 5 per cent of world production, are being frustrated by a collapse in the metal's price.

A dozen companies, including some from Germany, Italy, Japan, and South Africa, have shown interest in joint venture proposals to revitalise the industry, according to the European Bank for Reconstruction and Development, which is advising the country.

But, when the deadline for bids passed at the end of January, some asked for more time in view of the uncertainties caused by the price dropping by half in the past year because of a surge in exports from Kazakhstan.

Samancor of South Africa, the world's biggest chromium producer, which held talks over two years with Albania, no longer seems interested because of present market conditions, which have forced it to consider cuts in its production and workforce, according to Mr Mario Gobbo, a member of the European Bank's merchant banking team. Also Ilva, the Italian steel group, has asked for more time because of its own financial problems.

Mr Gobbo said Albania was still open to new approaches. He hoped to see more from Japan and some from Taiwan.

Albania's government was pressing for a decision by the end of this month but the European Bank is recommending that a deadline at the end of April would be more realistic.

Albania, a country not quite as big as Belgium, has a population of about 3.5m. Some 13,000 are employed in the chromium industry – at chromite mines scattered across the country and the two smelters, at Elbasan and Bureli. Independent observers estimate the industry could operate with one-third of its present workforce if modern equipment and methods were employed. However, labour costs are low, equivalent to $10 a month for each miner.

The smelters, each capable of producing 35,000 tonnes of chromium a year, are of an old North Korean design with exceptionally poor working conditions and they cause tremendous pollution.

Albania envisages a joint venture in which it would contribute assets while a foreign partner put up capital, particularly to modernise the smelters.

Moment of truth arrives for Opec

Oil traders are waiting to see if producer backing for a substantial output cut is more than just brave talk, writes Deborah Hargreaves

WHEN MINISTERS from the Organisation of Petroleum Exporting Countries meet tomorrow in Vienna, they will be faced with tough decisions on cutting oil output if they are to fulfil expectations of traders in the oil market. The traders are looking for a cut of at least 1m barrels a day in production and will push prices down in a spiral of disappointment if that is not agreed.

But ministers may be encouraged in their discussions by the similarities between the market situation now and during the same period last year. Then, in a similar pattern to this year, oil prices slumped in the first quarter, forcing the producers' club to cut back its output ceiling by 1m b/d.

Discord at last year's meeting caused much criticism of the deal, but demand held up later in the quarter and prices firmed.

Opec cannot afford to be too complacent, however, as market expectations of a substantial cut in output are high. Mr Joe Stanislaw, managing director of Cambridge Energy Research Associates said this week that prices could fall by as much as $2 a barrel if Opec members failed to institute a production cut of 1m b/d.

Alirio Parra: Tour produced show of political will.

The market is looking to Opec to rein in output to about 23.5m b/d, a cut of just over 1m b/d from the present ceiling of 24.58m b/d. But since members are producing some 25m b/d, they will have to cut actual output further.

Mr Stanislaw said: "the market no longer has any confidence in Opec to come up with an agreement that they will abide by. . . if they don't deliver [the 1m b/d cut], the market will give no credence to what they say".

Prices tumbled in the first quarter as market traders saw that Opec nations were not sticking by their November accord to cut output. But prices have been stronger in recent weeks following an initiative by Opec president, Mr Alirio Parra, who is Venezuela's minister of energy and mining, to persuade his colleagues to agree a cut.

Mr Parra's tour of Opec capitals produced a strong show of political will for a production cut; but this must now be followed through with a tight accord.

Mr Geoff Pyne, oil analyst at UBS Phillips and Drew, the London brokers, believes the political will among members is good, but the arithmetic remains tricky. He is more optimistic about oil demand and believes the market can absorb just over 24m b/d in the second quarter as US consumption picks up.

He expects US demand to improve by almost 2 per cent this year as recovery gets under way, but world demand will still be slow to pick up, rising by no more than 1 per cent for the year.

Mr Youssef bin Omeir bin Youssef, United Arab Emirates' oil minister expressed Opec's high hopes of a price recovery yesterday when he said a 1m b/d cut in output for the second quarter would be enough to raise oil prices by at least $1 a barrel.

The hopes of market traders and member nations are high: Opec now faces the tough bargaining that must accompany any cut in production.

EC ministers in fresh attempt to end banana row

By David Gardner in Brussels

EUROPEAN COMMUNITY farm ministers will tonight make another attempt to reach final agreement on the new banana regime they endorsed in principle last December.

After a meeting which began on Tuesday and ran into Thursday morning, the ministers failed to sign off on measures which would set a quota for cheap Latin American banana imports of 2m tonnes, with an Ecu850 per tonne tariff on imports above that level.

In December, Germany and Denmark – which at present occupies the EC presidency – opposed the new regime, but the Netherlands and Belgium have since raised objections.

In an acrimonious meeting this week, UK agriculture minister Mr John Gummer accused the Dutch and Belgians of reneging on their commitments, while EC farm commissioner Mr Rene Steichen was prepared to keep ministers in Brussels until the March 1 deadline for legal endorsement.

Germany will certainly vote against the new regime anyway. But to meet the objections of its allies, the commission said it would:

- Agree upward adjustments of the quota, in line with market demand, on a regular basis;
- Give assurances that traditional importers of Latin American bananas would not be prejudiced by the new licensing system in the proposals;
- And regard any significant price rise as an indication of a shortage which would require a review of the import regime.

Setback for salmon producers' quota plan

By James Buxton, Scottish Correspondent

ATTEMPTS BY Scottish salmon producers to reduce price fluctuations by creating producer organisations to control output suffered a setback yesterday when Sir Hector Monro, Scottish fisheries minister, gave only limited support to the idea.

The Scottish salmon producers, who are now recovering after three bad years in which prices were driven down by vast overproduction of salmon, mainly by Norway, want to set up a number of producer organisations that would restrain production by limiting the number of smolts (young salmon) which could be put in the sea through quota restrictions on individual farmers.

The Scottish Salmon Growers Association said yesterday that Norway, Ireland and Faroe were also keen to set up associations.

Although recommendations on each country's production would be voluntary to avoid the accusation of being an international cartel, the smolt quotas set by individual producer organisations would be mandatory and would cover both members and non-members.

For this reason the producers need the UK government to endorse the scheme for the approval of the European Commission, and bring in legislation or statutory instruments to make the organisations' decisions mandatory.

However Sir Hector said that while he supported the creation of voluntary producer organisations, the government did not want to see compulsory bodies.

Wider market for venison

By James Buxton

WILD VENISON, hitherto confined largely to the tables of the upper classes, has begun appearing on the shelves of British supermarkets.

The Safeway supermarket group, which launched it last month, is invoking the cause of nature conservation in its support. It has introduced a range of venison products made from red deer stalked and shot in the Scottish Highlands, claiming to be the first supermarket chain to market wild venison.

It says it wants to broaden the diet of the British public and also help reduce the population of red deer, which have become a serious problem in parts of the Highlands.

The Scottish red deer population has expanded rapidly in recent years because of warmer winters and insufficient culling by landowners. In places deer are preventing the regeneration of pine forests and invading farmland.

Conservationists have been urging landowners to step up their annual deer cull in over-populated areas. But the incentive to cull has been reduced in the past three years by the collapse of venison prices.

Brazilian partners sign $765m copper mine deal

By Bill Hinchberger in Sao Paulo

BRAZIL'S SALOBO mining site should be producing 150,000 tonnes of copper and eight tonnes of gold a year beginning in 1998, according to projections by Companhia Vale do Rio Doce, one of the partners in a joint venture accord to exploit the site that was signed yesterday.

CVRD, Brazil's state-controlled mining concern, and holder of Salobo's mineral rights, will team up with Morro Velho, a leading Brazilian gold mining company that is half-owned by Anglo American. The two companies will control equal shares of the Salobo venture.

The copper deposit is estimated at 1.2bn tonnes of ore. It is located in the Carajas region, in the state of Para, in the Amazon. Development costs are estimated at $765m. Initial engineering studies will begin immediately and should be completed in 18 months. Overall investment requirements are relatively modest because the site can rely on much of the infrastructure already in place for CVRD's nearby iron ore operations.

The scheme will include an on-site plant to transform the mineral into metal – because of its special composition, the Salobo copper concentrate would have a limited market.

Morro Velho's capacity and willingness to tackle an integrated project weighed heavily in CVRD's decision to choose the company from a list of potential partners, said Mr Helio Biak, CVRD superintendent for development.

Mixed outlook for Australian exports

By Emilia Tagaza in Melbourne

AUSTRALIA'S COMMODITY exports face mixed prospects in the next five years, with mineral and energy resources providing the main boost to the sagging economy.

The official forecasting agency, the Australian Bureau of Agricultural and Resource Economics, says the minerals sector will see a reasonable improvement in prices in the medium term while prices of agricultural commodities will stay relatively flat, then start to drift down again after 1995.

Mr Brian Fisher, executive director of Abare, told an annual forecasting conference last week that Australia's commodity exports in 1992-93 would rise 8 per cent to A$47.4bn, thanks mainly to the weaker Australian dollar.

Minerals would hold their ground in the 1990s, he said, with several major new projects planned or being put into operation this year. These included the world class Yandi and Marandoo iron ore mines, Mt Keith and Yackabindie nickel mines, and Century and McArthur River lead and zinc mines.

Mr Jerry Ellis, executive general manager of BHP Minerals, said that during the last two years, the mineral and energy sector grew 4.2 per cent annually, compared with the average growth of 0.9 per cent of the Australian economy.

Abare expects gold production to fall slightly to 238 tonnes in 1992-93, followed by similar declines in the following two years. However, output should grow strongly to 255 tonnes in 1995. Expenditure in gold exploration in the next three years is expected to remain at the current level of just over A$800m.

Abare also forecasts strong growth in Australian coal exports despite falling prices.

Exports of black coal are forecast to reach 188m tonnes in 2004 from the current rate of 126m tonnes a year, while Thermal coal exports are expected to double in that period to 124m tonnes a year. Asian demand for thermal coal is expected to double from about 96m tonnes in 1996-97 to about 187m tonnes by 2004. Japanese thermal coal imports are also forecast to rise strongly, from 49m tonnes to about 86m tonnes in 2004.

Wheat also has a good outlook despite weaker prices. A few days after Australia was forced to import wheat for the first time in more than 40 years, Abare predicted a 20 per cent increase in planting, expecting to result in a significant increase on this year's harvest of 15.3m tonnes. It said there were several factors causing world demand for wheat to outstrip production.

On the downtrend is wool, of which Australia has an oversupply despite falling production. Abare forecasts that 1992-93 shorn wool production will fall to 837,000 tonnes in 1992-93 from 875,000 tonnes last year.

But Mr Mac Drysdale, chairman of the Australian Wool Corporation, told the Abare conference that if wool was a manufactured product the factory would now be closed.

"We have 3.98m bales in the official stockpile. We have a growing unofficial stockpile where growers are holding wool back in stores on farms. We have a semi-processed stockpile and at the same time we have relatively high production figures in Australia," Mr Drysdale said.

WORLD COMMODITIES PRICES

MARKET REPORT

New York arabica COFFEE was broadly higher at midday after rallying on what traders said was heavy trade short covering in the spot March contract. London's robusta COFFEE closed with sharp gains of $38 to $49 a tonne as the market remained very volatile. There was little consensus about the market's next move after the recent large price swings. On the LME most markets were steady in a pretty featureless day. Physical offtake of COPPER in Europe is extremely slow, which is restricting interest and outweighing the positive implications of improved US economic data. Also, shipments of CIS copper remain high. ZINC has lost upward momentum with no further production cuts emerging, and dealers believe the market could revert to the dull range seen for most of January between $1,060 and $1,080 a tonne. Three-month NICKEL was unable to hold above $6,100 a tonne. But overall technicals are more constructive after recent investment fund interest, dealers said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$16.16-6.21	+.020
Brent Blend (dated)	$18.42-8.46	-.010
Brent Blend (Mar)	$18.44-8.46	+.020
W.T.I (1 pm est)	$20.22-0.25	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$194-196	
Gas Oil	$173-174	-2.0
Heavy Fuel Oil	$71-72	
Naphtha	$175-176	-1.0
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$331.75	+1.60
Silver (per troy oz)♣	377.5c	+4.00
Platinum (per troy oz)	$370.5	+2.5
Palladium (per troy oz)	$119.0	+1.5
Copper (US Producer)	104.5c	
Lead (US Producer)	35.5c	
Tin (Kuala Lumpur market)	14.99r	+0.01
Tin (New York)	270.5c	+1.50
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	123.15p	+0.11*
Sheep (live weight)†♣	101.18p	+4.49*
Pigs (live weight)†	84.19p	+2.67*
London daily sugar (raw)	$217.5	+8.5
London daily sugar (white)	$261.0	+4.0
Tate and Lyle export price	£262.5	+8.0
Barley (English feed)	£139.0z	
Maize (US No. 3 yellow)	£165.0	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	69.50p	+0.25
Rubber (Apr)♥	69.75p	+0.25
Rubber (KL RSS No 1 Feb)	237.0m	-0.5
Coconut oil (Philippines)§	$432.5y	-7.5
Palm Oil (Malaysian)§	$422.5w	+2.5
Copra (Philippines)§	$280.0	-2.5
Soyabeans (US)	£165.5u	+1.0
Cotton "A" index	60.95c	+1.1
Wooltops (64s Super)	400p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb/Apr v-Aug. w-Feb/Mar z-Mar. ♥London physical. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX ($ per tonne)	Close	Previous	High/Low
Raw			
Mar	188.00	187.00	188.00
White			
Mar	261.30	260.00	261.00 259.10
May	260.00	260.00	260.00 258.40
Aug	262.50	262.50	262.50 262.00
Oct	249.00	247.80	248.80

Turnover: Raw 10 (361) lots of 50 tonnes. White 1602 (2537) Paris- White (FFr per tonne): Mar 1484.47 May 1484.02

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Mar	18.38	18.31	18.44 18.30
Apr	18.45	18.40	18.50 18.36
May	18.51	18.45	18.53 18.42
Jun	18.53	18.55	18.55 18.49
Aug	18.63	18.60	18.63
IPE Index	18.46	18.27	18.46

Turnover 21903 (49450)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low
Feb	170.75	170.75	172.00 169.50
Mar	170.50	172.00	172.00 170.25
Apr	170.50	171.50	171.25 170.25
May	170.25	171.00	171.00 170.00
Jun	169.75	170.50	170.50 169.50
Jul	171.50	172.50	171.75 170.75
Aug	173.75		174.00 173.50
Sep	175.75		175.75

Turnover 12971 (18823) lots of 100 tonnes

FRUIT & VEGETABLES

Cape seedless grapes at £1.50-1.60 a lb (£1.60-1.80) and seeded varieties at £1.75-1.95 a lb (£2.00-2.50) are plentiful this week reports FFVIB. Lemons at 15-25p each (15-25p) and Navel oranges at 10-30p each (10-30p), depending on size, remain superb fruit buys. Button mushrooms at 60-80p a ½lb (60-80p) and breakfast mushrooms at 60-70p a ½lb are this week's best veg buys. Another good buy is Savoy cabbage at 25-35p a lb (25-35p). Tomatoes at 50-65p a lb (60-70p), Round lettuce at 25-30p each (25-30p) and celery at 50-65p a head (50-65p) round off this week's best buys.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low
Mar	719	721	725 715
May	728	733	735 727
Jul	740	745	748 740
Sep	754	759	760 756
Dec	775	780	780 775
Mar	793	800	802 793
May	806		814
Jul	820	830	828
Sep	836	842	845 834
Dec	862	862	869 865

Turnover: 4514 (4929) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Feb 11 712.17 (710.89) 10 day average for Feb 10 718.00 (716.91)

COFFEE – London FOX ($/tonne)	Close	Previous	High/Low
Mar	937	900	940 918
May	938	889	945 915
Jul	916	878	927 903
Sep	920	883	927 915

Turnover 6871 (3420) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Feb 10: Comp. daily 55.96 (54.36) 15 day average 55.46 (55.55)

POTATOES – London FOX (£/tonne)	Close	Previous	High/Low
Apr	41.8	44.0	43.0 41.5
May	44.0	46.0	44.5 43.5

Turnover 207 (22) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)	Close	Previous	High/Low
Jun	148.00		148.00
Aug	149.50	149.20	149.50

Turnover 100 (250) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)	Close	Previous	High/Low
Feb	1350	1340	1350 1349
Mar	1362	1350	1362 1355
Apr	1350	1335	1355 1343
Jul	1190	1185	1190 1189
Oct	1345		1345
BFI	1317	1315	1317

Turnover 172 (285)

GRAINS – London FOX (£/tonne)	Close	Previous	High/Low
Wheat			
Mar	142.00	142.70	142.10 141.75
May	143.05	143.80	143.25 142.80
Jun	144.20		144.25 144.20
Sep	110.00		110.00
Nov	112.35	113.10	112.35 112.25
Jan	115.40		115.90 115.40
Mar	117.60		117.65 117.50
Barley			
Mar	138.25	137.90	138.25 137.50
May	138.70	138.10	138.70
Sep	107.75	108.75	107.75
Nov	110.75		110.75

Turnover: Wheat 338 (144), Barley 57 (115). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg	Close	Previous	High/Low
Jun	106.5	106.0	106.0
Jul	102.5	102.0	102.0

Turnover 3 (8) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 22,177 lots
Cash	1214-5	1215-6	1215	1214.5-5.0		
3 months	1235.5-6	1236-7	1237/1234	1235.5-6.0	1236-6.5	168,692 lots
Copper, Grade A (£ per tonne)						Total daily turnover 29,280 lots
Cash	1583-4	1556-7	1561.5	1561-1.5		
3 months	1584-4.5	1579-80	1588/1578	1583-3.5	1586-6.5	157,118 lots
Lead (£ per tonne)						Total daily turnover 3,148 lots
Cash	291.5-2.0	290.5-1.0	291.5	291.5-1.75		
3 months	301-1.5	300-300.5	302/301	301-1.25	300-2	17,806 lots
Nickel ($ per tonne)						Total daily turnover 5,893 lots
Cash	6015-25	6010-20		6010-20		
3 months	6080-85	6070-80	6110/6075	6075-85	6075-80	49,202 lots
Tin ($ per tonne)						Total daily turnover 2,304 lots
Cash	5835-45	5830-40	5852/5880	5850-1		
3 months	5895-900	5880-900	5910/5890	5905-10	5905-10	8,798 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 14,900 lots
Cash	1071-2	1085.5-6.5	1077/1076.5	1075.5-6.0		
3 months	1090-90.5	1105.5-6.0	1103/1090	1095-5.5	1098-4	64,688 lots

LME Closing US rate: SPOT: 1.4190 3 months: 1.4097 6 months: 1.4022 9 months: 1.3975

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	331.60-331.90	
Opening	331.20-331.60	
Morning fix	331.85	232.917
Afternoon fix	332.00	234.060
Day's high	333.10-333.40	
Day's low	331.30-331.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.49	6 months	2.37
2 months	2.46	12 months	2.36
3 months	2.44		

Silver fix	p/troy oz	US cts equiv
Spot	265.35	376.75
3 months	269.05	379.60
6 months	272.45	382.30
12 months	279.10	389.35

GOLD COINS	$ price	£ equivalent
Krugerrand	332.00-335.00	233.00-235.00
Maple leaf	341.40-343.65	-
New Sovereign	79.00-82.00	56.00-58.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	29	62	6	18
1225	14	46	18	25
1250	5	33	32	15
Copper (Grade A)	Calls		Puts	
2200	41	76	13	43
2250	16	51	37	69
2300	4	32	76	97
Coffee	Mar	May	Mar	May
900	41	69	4	32
950	11	44	24	57
1000	2	27	65	90
Cocoa	Mar	May	Mar	May
700	22	60	3	22
725	74	36	13	33
750	1	28	35	45
Brent Crude	Apr	May	Apr	May
1800	76	-	30	44
1850	41	80	52	-
1900	25	-	-	-

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Feb	332.2	333.4	334.2	331.7
Mar	332.4	333.4	334.5	333.4
Apr	332.7	333.7	334.6	332.2
Jun	334.0	335.0	336.0	333.6
Aug	335.4	336.4	336.9	335.0
Oct	336.9	337.9	0	0
Dec	338.4	339.4	340.2	336.4
Feb	340.1	341.0	341.2	340.6
Apr	341.9	342.8	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Feb	359.8	359.8	0	0
Apr	371.4	370.8	373.5	371.0
Jul	368.4	368.2	370.4	368.0
Oct	366.9	366.9	368.0	368.0
Jan	363.9	364.9	365.0	366.0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Feb	375.2	375.8	0	0
Mar	375.7	376.2	379.0	373.0
May	378.2	378.8	381.5	377.5
Jul	380.6	381.2	384.0	380.0
Sep	383.1	383.7	383.0	383.0
Dec	386.8	387.4	389.0	386.0
Jan	387.6	388.3	0	0
Mar	390.9	391.7	395.0	392.0
May	393.9	394.5	394.5	394.5
Jul	396.9	397.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Feb	99.20	98.70	99.20	98.95
Mar	99.25	98.85	99.45	98.85
Apr	99.60	99.30	0	0
May	99.90	99.60	100.00	99.55
Jun	100.30	99.85	100.10	100.10
Jul	100.40	100.10	100.60	100.05
Aug	100.70	100.35	0	0
Sep	101.00	100.60	101.10	100.70

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Mar	20.24	20.18	20.28	20.12
Apr	20.22	20.17	20.27	20.12
May	20.22	20.17	20.28	20.13
Jun	20.24	20.19	20.28	20.15
Jul	20.28	20.21	20.28	20.18
Aug	20.32	20.22	20.32	20.22
Sep	20.30	20.24	20.30	20.24
Oct	20.33	20.26	20.33	20.33
Nov	20.33	20.28	20.38	20.33
Dec	20.31	20.26	20.34	20.28

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Mar	56.28	55.63	56.60	56.20
Apr	56.60	56.25	56.35	55.65
May	55.70	55.55	55.75	55.20
Jun	55.45	55.20	55.50	55.00
Jul	55.65	55.35	55.65	55.15
Aug	56.35	55.95	56.35	56.30
Sep	57.50	57.05	57.50	57.50
Oct	58.00	58.05	0	0
Nov	59.90	59.50	0	0
Dec	59.70	59.75	0	0

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Mar	872	889	885	871
May	908	922	922	907
Jul	937	950	948	935
Sep	965	978	978	963
Dec	997	1010	1008	995
Mar	1026	1039	1039	1030
May	1047	1060	0	0
Jul	1067	1080	0	0
Sep	1086	1107	1093	1093
Dec	1134	1145	1136	1136

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Mar	65.00	61.65	65.20	63.00
May	68.35	65.85	68.80	67.00
Jul	69.70	67.95	70.50	68.70
Sep	71.50	70.00	72.25	70.70
Dec	74.70	72.75	75.00	73.75
Mar	77.00	76.00	77.00	77.00
May	78.75	78.55	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	8.47	8.57	8.56	8.46
May	9.02	9.14	9.14	8.99
Jul	9.13	9.24	9.28	9.12
Oct	8.93	8.92	9.00	8.92
Mar	8.73	8.83	8.90	8.71
May	8.73	8.82	0	0
Jul	8.76	8.85	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Mar	81.88	82.25	83.20	81.50
May	82.46	83.10	83.70	82.40
Jul	83.30	83.88	84.61	83.30
Oct	82.90	83.13	83.70	83.20
Dec	81.95	82.12	82.45	82.00
Mar	82.77	83.80	83.10	82.80
May	83.80	83.50	0	0
Jul	84.85	84.00	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	67.85	67.70	69.00	67.50
May	71.25	71.40	72.40	70.95
Jul	74.70	74.60	76.00	74.70
Sep	77.75	77.60	79.15	77.75
Nov	81.00	80.60	81.75	80.50
Jan	84.80	84.30	86.50	84.60
Mar	87.50	87.05	86.60	86.25
May	87.50	87.05	0	0
Jul	87.65	87.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 11	Feb 10	mnth ago	yr ago
1757.1	1743.1	1714.6	1686.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 10	Feb 9	mnth ago	yr ago
Spot	123.73	122.60	123.62	119.34
Futures	125.64	123.77	122.94	122.51

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Mar	567/0	568/6	575/0	565/0
May	569/6	571/6	577/0	568/4
Jul	574/2	576/6	581/6	573/0
Aug	576/0	578/2	583/4	575/6
Sep	578/0	579/4	583/4	577/4
Nov	584/2	586/2	591/0	583/4
Jan	591/4	594/2	596/0	591/4
Mar	598/4	601/4	0	0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Mar	20.85	20.79	20.92	20.69
May	20.92	21.02	21.07	20.85
Jul	21.14	21.21	21.26	21.05
Aug	21.20	21.28	21.35	21.20
Sep	21.25	21.31	21.36	21.20
Oct	21.29	21.34	21.43	21.29
Dec	21.44	21.46	21.55	21.39
Jan	21.52	21.50	21.62	21.50

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Mar	177.4	177.7	179.5	176.9
May	178.4	178.8	180.3	177.9
Jul	180.5	180.7	182.0	180.0
Aug	181.4	181.8	182.8	181.2
Sep	182.3	182.5	183.8	182.2
Oct	183.3	183.6	184.5	183.1
Dec	185.3	186.7	186.9	185.0
Jan	185.8	186.5	187.0	186.8

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Mar	212/4	213/4	214/0	212/2
May	220/2	221/2	221/6	220/0
Jul	227/6	228/4	229/0	227/4
Sep	234/0	234/4	235/4	233/6
Dec	240/2	240/6	242/0	240/0
Mar	246/6	247/4	248/0	246/4
May	251/4	251/6	252/4	251/0
Dec	249/4	250/0	249/4	249/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Mar	367/4	369/0	371/0	364/6
May	343/2	345/0	346/4	342/4
Jul	323/4	325/2	327/0	323/0
Sep	328/0	330/0	330/4	326/6
Dec	335/0	337/0	339/0	335/0
Mar	339/0	341/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Feb	82.075	81.800	82.100	81.525
Apr	79.475	79.550	79.725	79.150
Jun	73.575	73.850	73.950	73.400
Aug	71.700	71.775	71.900	71.575
Oct	73.000	73.075	73.200	72.825
Dec	73.300	73.500	73.500	73.250
Feb	82.075	81.800	82.100	81.525

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Feb	44.700	44.775	45.125	44.500
Apr	44.800	44.825	45.000	44.600
Jun	50.275	49.775	50.300	49.700
Jul	48.925	48.650	48.950	48.550
Aug	46.325	46.200	46.425	46.100
Oct	41.825	41.800	41.850	41.700
Dec	43.100	42.900	43.100	42.850
Feb	43.050	42.800	43.050	43.000

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Feb	37.350	38.850	37.350	36.550
Mar	37.450	37.125	37.700	36.700
May	38.600	38.225	38.800	37.850
Jul	38.375	38.425	39.525	38.150
Aug	38.750	37.250	39.000	37.150

LONDON STOCK EXCHANGE

Blue chips drive the market forward

By Terry Byland, UK Stock Market Editor

THE UK stock market yesterday regained some of the confidence so badly bruised over the two previous trading days and share prices closed very firmly after a well-traded session. The latest fund-raising moves, a well-heralded £204m rights issue from Trafalgar House and £200m in debentures from Forte, were taken calmly and there was relief that British Petroleum, reporting satisfactory trading news, made no call on shareholders.

Traders pointed out that the two-week equity trading account ends tonight with share profits still in place; further demand for stock to meet selling commitments taken on Tuesday and Wednesday could help the market this morning.

Heavy buying from across the Atlantic for the pharmaceutical stocks which have been badly hit in recent sessions provided the driving force behind the blue chip sectors. A large buy programme by a UK house was identified.

Oil shares, too, made good progress following the BP statement; although UK funds remain cautious towards BP shares, they are wary of selling while US investors show increasing confidence in the stock.

An early gain of 18 points on the Footsie proved more than the market would allow, and the advance was trimmed briefly as the rights issue from Trafalgar was absorbed. The stock index futures sector provided a lacklustre guide in early deals.

However, the market began to move forward as the drug stocks responded to demand for the sector in New York overnight. The Footsie was quickly ahead by more than 24 points at 2,840.7. The market remained firm for the rest of the day. But in spite of a firm start to the new Wall Street session, when the Dow Average added 22 points in early trading, London closed just below the day's best levels.

The final reading showed the FT-SE 100 Index at 2,834.3 for a gain of 17.9 on the day. Investors were waiting cautiously for reports of the speech in Germany by Mr Eddie George, governor-designate of the Bank of England. But his warning that there is little room for further adjustment on domestic interest rates came after the London equity market had closed for the day.

The focus on the blue chip pharmaceuticals, where Glaxo stood out strongly, took some interest away from the second liners. The FT-SE Mid 250 Index firmed only 4.6 to 3,006.5. However, dealing in second-line issues made up about 63 per cent of the day's total Seaq business of 889.4m shares. Retail, or customer, business has remained high this week and on Wednesday returned a value figure of £1.37bn.

The strength of the pharmaceutical and oil issues also outweighed, in index terms, the continued setback in several domestically orientated sectors. Food retailers continued to signal concern over suggestions of adverse tax developments ahead in next month's Budget speech from the UK chancellor of the exchequer.

The market's chief preoccupation, however, remained the heavy flow of company news now looming over investors. The game of "spot the rights issue" has been joined by the game of "spot the bid story", and the market was buzzing last night with hints that a large corporate development will shortly be announced in the banking and financial sector.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
AGT	82	538	+22
ASDA Group	47,000	58½	+¼
Abbey National	2,300	355	
Albert Fisher	2,100	69	
Allied-Lyons	[illegible]	585	
Amstrad	1,500	23	
Anglian Water	2,100	500	+8
Argos	1,000	271	–8
Argyll Group	[illegible]	359	–8
Arjo Wiggins	1,500	168½	+6½
Ass. Brit. Foods	645	470	+4
Ass. Brit. Ports	388	363	–4
BAA	2,300	770	–4
BAT Inds.	1,800	882	–8
BET	2,400	95	–2
BICC	1,400	353	
BOC	2,500	746	+7
BP	32,000	277½	+11½
BPB Inds.	5,400	216	+7
BT	9,000	411½	+3½
BT New	8,000	308	+3
BTR	3,500	548	–6
Bank of Scotland	1,300	127	–½
Barclays	2,400	415	–2
Bass	2,500	580	–13
Berisford Int.	340	123	+2
Blue Circle	2,500	214	–1
Booker	304	414	–3
Boots	2,300	479	–7
Bowater	539	483	+3
Brit. Aerospace	1,700	263	+3
British Airways	8,400	288	–7
British Gas	6,300	286½	+1½
British Land	295	222	–1
British Steel	15,000	77½	+2
Bunzl	1,100	161	+1
Burmah Castrol	335	705	+8
Burton	21,000	69¼	–1½
Cable & Wire.	1,700	719	
Cadbury Schweppes	2,900	474	+7
Calor Group	108	282	+1
Carlton Comms.	687	797	
Coats Viyella	916	189	–½
Comm. Union	2,500	600	+10
Cookson	2,600	209	+8
Courtaulds	1,200	580	–3
Dalgety	240	472	–9
De La Rue	[illegible]	685	–5
Dixons	[illegible]	219	+2
Eastern Elect.	[illegible]	[illegible]	+11
East Midland Elect.	2,800	[illegible]	+15
Eng China Clays	[illegible]	446	–6
Enterprise Oil	1,600	[illegible]	+8
Eurotunnel Units	262	[illegible]	+15
FKI	2,800	171	+1
Fisons	3,900	242½	–3½
Forte	7,700	[illegible]	[illegible]
Gen. Accident	[illegible]	[illegible]	[illegible]
General Elect.	4,700	[illegible]	[illegible]
Glaxo	10,000	[illegible]	[illegible]
Glynwed Int.	574	[illegible]	[illegible]
Granada	4,300	[illegible]	[illegible]
Grand Met.	2,200	[illegible]	[illegible]
GUS A	750	[illegible]	[illegible]
GRE	4,600	[illegible]	[illegible]
GKN	1,100	[illegible]	[illegible]
Guinness	2,600	[illegible]	[illegible]
HSBC (75p shs)	1,500	[illegible]	[illegible]
Hammerson 'A'	182	[illegible]	[illegible]
Hanson	7,700	[illegible]	[illegible]
Hanson Warrants	1,400	[illegible]	[illegible]
Harrisons Crosfield	1,300	[illegible]	[illegible]
Hillsdown	1,500	145	+1
IMI	1,800	268	–12
ICI	1,200	1157	+12
Inchcape	1,300	564	–5
Kingfisher	1,200	514	–2
Kwik Save	721	603	
Ladbroke	3,100	188	–2
Land Securities	535	465	
Laporte	[illegible]	661	+4
Legal & General	2,000	433	+2
Lloyds Abbey	1,800	483	+6
Lloyds Bank	5,500	528	+13
LASMO	7,300	164	+1
London Elect.	2,000	447	+14
Lonrho	8,000	82	+7
Lucas	2,700	140	+1
MB Caradon	2,700	311	+6
MEPC	848	383	–8
Manweb	880	494	+7
Marks & Spencer	6,400	323½	–4½
Midlands Elect.	880	470	+14
Morrison (Wm.)	2,000	165	
NFC	541	207	+1
NatWest Bank	3,100	432	
National Power	5,100	304	+8
Next	1,100	142	–½
North West Water	556	464	+3
[illegible]			
Reuters	2,200	1344	+28
Rolls-Royce	9,200	123	–2
Rothmans	578	599	+13
Ryl Bk Scotland	3,000	225	–8
Royal Insurance	5,800	288	+15
Saatchi	[illegible]	[illegible]	
Sainsbury	3,300	414	–16
Scottish & New.	5,000	494	–3
Scot. Hydro-Elect.	1,600	247	+2
Scottish Power	3,300	224	+3
Sears	4,800	99	–2
Sedgwick	742	179	
Seeboard	580	473	+8
Severn Trent Water	3,000	469	+7
Shell Transport	1,300	598	+6
Siebe	1,700	473	–2
Slough Ests	174	152	–1
Smith (W.H.) A	790	416	+1
Smith & Nephew	1,800	152½	+1½
SmKl Beecham	4,700	466	+20
SmKl Beecham Uts.	2,100	409	+17
Smiths Inds.	385	385	–2
Southern Elect.	1,600	445	+10½
South Wales Elect.	[illegible]	504	+8
South West Water	294	521	+5
South West. Elect.	471	494	+5
Southern Water	359	490	+3
[illegible]			
Unilever	1,000	[illegible]	+3
United Biscuits	1,700	349	–6
Utd. Newspapers	254	609	
Vodafone	5,300	[illegible]	–6
Warburg (SG)	180	395	–1
Wellcome	2,200	913	+20
Welsh Water	313	589	+10
Wessex Water	912	603	+6
Whitbread 'A'	1,800	479	+4
Williams Hldgs.	874	344	–3
Willis Corroon	2,200	197	–2
Wimpey	319	139	–2
Wolseley	213	549	–3
Yorkshire Elect.	522	494	+6
Yorkshire Water	468	546	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Feb 1	Feb 15	Mar 1
Option Declarations:		
Feb 11	Feb 25	Mar 11
Last Dealings:		
Feb 12	Feb 26	Mar 12
Account Day:		
Feb 22	Mar 8	Mar 22

*New time dealings may take place from 8.30am two business days earlier.

Welcome for BP figures

FOURTH quarter results at the top end of market expectations, an impressive post-results meeting between BP management and oil sector analysts, and a fresh wave of US buying drove BP shares up to their best level for 12 months.

The stock closed 11½, or 4.3 per cent, higher at 277½p, easily outpacing a generally buoyant oil sector, itself up 2 per cent, and the wider market, where the FT-SE 100 was up 0.6 per cent.

Specialists said Mr David Simon, who took over the role of chief executive last summer, delivered a very impressive performance, telling analysts that BP was meeting its recovery plan targets and that there were no plans for a rights issue until the group had reached its target of profits of £500m a quarter. Although much of yesterday's buying was again US-sourced, UK institutions were also said to have been picking up the stock to reduce their underweight positions.

Some analysts, however, remain cautious about BP's rehabilitation. Mr Keith Morris at Carr Kitcat & Aitken said "BP is a recovery story for 1994, not 1993", while long-time bear Mr John Toalster at Strauss Turnbull, pointing out that gearing remained around 100 per cent, said: "There is a surfeit of enthusiasm over experience; they are far too expensive."

Rank gloomy

A gloomy outlook from Rank Organisation during separate presentations to two broking houses did little to help the shares, which fell back in thin trading. Rank management was said to be giving no chance of recovery in the leisure sector in 1993, with an upturn not seen until the final quarter of 1994. The remarks were considered pessimistic even by Rank's cautious reputation in the market and the shares fell 17 to 689p. However, hints that Rank would consider eventually exiting from its joint venture with Xerox brought some cheer, as did brighter trading news on the US, according to analysts.

Trafalgar cash call

Shares in Trafalgar House, the construction, property and shipping group, fell sharply as the market reacted to the long-awaited rights issue, a cut in the dividend and a warning of further property write-downs.

The market had anticipated the 1-for-2 rights issue to raise £204.5m, but the warning on further property writedowns took many by surprise. Trafalgar also announced a cut in the dividend from 6p to 3.25p. Dealers rushed to sell the stock and by the close, turnover had risen to 42m, boosted by programme trading, and the shares fell 12 to 76½p.

Mr Leslie Kent at agency broker Carr Kitcat said: "The company has a huge credibility problem but there remains much potential in the group. It is up to management to restore that credibility and potential but that will take a long time."

Reuters rebounds

News and information group Reuters recovered 28 to 1344p as analysts' interpretations of the company's full-year results reached clients. The buy argument is exemplified by S.G. Warburg, which published an overview at the end of last week. The UK investment bank argues that at 1390p Reuters was on a 1993 p/e relative of 145-150 and a price relative target of 110, which would push them to 1430p. That target looked more achievable on Tuesday, before the price tumbled 66p. Yesterday, NatWest Securities advised clients to avoid buying until the stock hit 1250p. Nikko advised selling; the Japanese house said earnings per share growth will be held back by lower interest rates and hedging last year.

Suggestions that Lloyds Bank's preliminary figures may be accompanied by a full-scale bid for another of the UK banks continued to drive TSB and Standard Chartered shares sharply higher.

TSB attracted exceptionally heavy activity, with 10m shares traded in the cash market and the equivalent of 5.1m shares traded in the stock options. But there was scepticism about the likelihood of a Lloyds bid, with TSB shares underperforming the sector and the market and closing only a penny higher at 172p.

Standard Chartered, where Lloyds retains a 4.7 per cent shareholding after its unsuccessful bid in the mid 1980's, closed 14 higher at 645p, after 650p. Lloyds, expected to reveal a 10 per cent increase in the dividend total, rose sharply to close 13 firmer at 528p.

Royal Insurance rose 15 to 288p on 5.8m traded, with the market increasingly of the view that a rights issue in unlikely in the short term. Commercial Union closed at 600p, ex rights, with the nil paid ending the session at 90p premium.

The pharmaceuticals sector showed strong gains yesterday, reflecting "bottom-fishing" in the US. Goldman Sachs was on the bid and Glaxo, the hardest hit in recent weeks, was the biggest gainer in percentage terms in the FT-SE 10 index. The shares gained 31 to 696p on heavy turnover of 10m shares.

Meanwhile SmithKline Beecham improved 20 to 466p in the 'A's and 17 to 409p in the Units. Wellcome raced through the 900 level close 20 better at 913p.

Rothmans International 'B' shares rose 13 to 599p after the company said it has begun talks to set up a regional holding company in the far east.

First-quarter figures at the top of the range of analysts' estimates helped industrial gases group BOC lift 7 to 746p. Hoare Govett's chemicals analyst Mr Martin Evans has maintained his full-year forecast of £380m and continues to see the shares as undervalued.

BT settled 3½ firmer at 411½p after the third quarter figures. Mr Jim Ross, telecoms analyst at Hoare Govett said the slow steady upturn in inland call volumes was "a good backdrop for the flotation of BT 3 later this year; the shares have further to go," he said.

A strong buy recommendation from Goldman Sachs left BPB 7 higher at 216p. Mr Mike Betts, building analyst at Goldman, said BPB's profits should grow rapidly, due to increases in plasterboard prices, both those already announced and those expected in the future.

Dull retail stocks were enlivened by the debut of Motor World Group which saw 5.8m shares placed at 210p and quickly marked up to close 65 ahead at 275p. Dealers said the group had excited interest from private clients following a series of presentations.

Burton Group slipped 1½p to 69½p as agency broker Cazenove was said to have crossed lines of 4m and 1m shares at 70p. Total turnover reached 21m. Bucking the trend, Alexon bid stories were again heard, the shares adding 3 to 85p.

Huge turnover in Asda was seen as investors speculated on the value of the nil-paid shares. They closed steady at 5p, while the ordinary edged a quarter pence forward to 58½p in turnover of 47m. VAT and competition worries again dampened enthusiasm for the leading food retailers.

Although not a fund-raising event, hotel group Forte's £200m debenture issue was thought good for sentiment and the shares added 4 to 190p.

Paper company Arjo Wiggins Appleton bounced 6½ to 168½p after 40 per cent French stakeholder Saint-Louis said the group had provisional 1992 turnover of £2.57bn, compared with £2.49bn in 1991.

British Steel had a busy session boosted by a recommendation from S.G. Warburg and volume rose to 15m as the shares hardened 2 to 78p. Warburg was, however, reported to be negative on IMI and the stock declined 12 to 268p.

Personal care and footwear group Peter Black dipped 3 to 170p as it was announced that two shareholders had sold stock and now owned less than 3 per cent of the equity.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson.

■ Other market statistics, Page 20

FT-A All-Share Index

1,400 / 1,350 / 1,300 / 1,250 — D J F — 1992 1993

Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover

800 / 600 / 400 / 200 / 0 — D J F — 1992 1993

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (169).
BRITISH FUNDS (9) Funding 3½pc 1999-2004, Tr. 2½pc I-L 2001, Tr. 2½pc I-L 2003, Tr. 2pc I-L 2006, Tr. 2½pc I-L 2009, Tr. 2½pc I-L 2011, Tr. 2½pc I-L 2013, Tr. 2½pc I-L 2016, Tr. 2½pc I-L 2020, AMERICANS (9) Ameritech, Bell Atlantic, Bellsouth, Exxon, FPL, NYNEX, Time Warner, US West, Whirlpool, CANADIANS (6) BCE, Bk. of Montreal, Can. Pacific, Hudson's Bay, Imperial Oil, Royal Bk. of Can., BANKS (2) Asahi, Deutsche, Mitsubishi, Natl. Aust., Sumitomo, BLDG MATLS (3) Anglian, Lafarge, St. Gobain, BUSINESS SERVS (1) Johnson Cleaners. CHEMS (6) Akzo, BASF, Bayer, Evode, Laporte, Yule Catto, CONTG & CONSTRCN (4) Bellway, Bryant, Eve, Sheriff, ELECTRICALS (3) AEEA B, Dewhurst A, Jones Stroud, Mitsubishi, Pifco, Do. A, Sony, ELECTRICITY (2) Eastern, Northern, Seeboard, ELECTRONICS (7) Admiral, Forward, Gresham Telecomputing, Hoskyns, Learmonth & B., Micro Focus, Siemens, ENG GEN (2) Clyde Blowers, Molins, FOOD MANUF (1) Clifford, HEALTH & HSEHOLD (2) Beapak, Mayborn, Paterson Zochonis, INSCE COMPOSITE (1) Amer. Ind., INSCE LIFE (2) Torchmark, Utd. Friendly B, INV TRUSTS (43) Abtrust New Dawn B Warrants, Abtrust New Thai, Bara Global Em. Mkts., Do. Cap., Castle Cairn China & Eastern, City Merchants High Yield, Drayton Asia, Do Warrants, Drayton Far East, EFM Japan, Do Warrants, Euro. Smaller Warrants, Fidelity Euro. Values Warrants, Fleming Continental, Fleming Far Eastern, Fleming O'seas., Foreign & Colonial Pacific, Do. Warrants, Foreign & Colonial Eurotrust, Gartmore Emerging Pacific, Gartmore European, Govett Oriental, Henderson Highland, Kleinwort O'seas., M & G Recovery Zero Div Pf., Malacca Fd., Malaysian Emerging Co's., Murray Int. B, New Frontiers Dev., Pacific Assets, Do. Warrants, Paribas French, RIT Capital, Do. 2½pc Cv. 2000, Scot. Asian, Second Market, TR Euro. Growth, TR Far East Inc., TR Pacific, Templeton Emerging Mkts. Warrants, Thornton Asian Emrg. Mkts., USDC, MEDIA (5) GWR, News Corp., Scot. TV, Taylor Nelson, Watmoughs, MERCHANT BANKS (2) Schroders, Do. N/V, MTL & MTL FORMING (1) Ferraris, MISC (4) Bluebird Toys, Danka Bus. Systems, Laser-Scan, Portmeirion Potts, MOTORS (3) Bletchley Motor, Gen. Motors Units, Lookers 8pc Pf., OIL & GAS (5) Chevron, Mobil, Royal Dutch, Shell Trans. 7pc Pf., Total B, OTHER FINCL (6) AAF, BWD, Cattle's, Natl. Home Loans 7½pc Pf., St. James's Place Cap., Tyndall Aust., OTHER INDLS (4) Amber Indl., B.H. Prop., McKechnie, Pacific Dunlop, PACKG, PAPER & PRINTG (3) Carnaud Metalbox, Filofax, Somic, PROP (1) Daejan, STORES (3) Clinton Cards, Essex Furniture, Liberty, TEXTS (3) Alexandra Workwear, Allied Texts., Brit. Mohair, TRANSPORT (1) GATX, WATER (5) Cheam A, Do. B, Severn Trent, Welsh, Wessex, MINES (4) GM Kalgoorlie, Kidston Gold, Sons Gwalia, Vizcaya.
NEW LOWS (8).
CONGLOMERATES (1) Jourdan (T), ELECTRONICS (1) Standard Platform, FOOD MANUF (2) Dalepak Foods, Sheldon Jones, HOTELS & LEIS (1) Courtyard Leis., MEDIA (1) Allied Radio, MISC (1) Hornby, PROP (1) Bolton

FINANCIAL TIMES EQUITY INDICES

	Feb 11	Feb 10	Feb 9	Feb 8	Feb 5	Year ago	High	Low
Ordinary share	2188.0	2174.7	2194.0	2226.1	2218.6	1957.4	2226.1	1670.0
Ord. div. yield	4.33	4.35	4.31	4.25	4.28	4.66	5.34	4.23
Earning yld % full	5.89	5.93	5.87	5.79	5.82	[illegible]	-	-
P/E ratio net	21.54	21.51	21.72	22.01	21.89	18.07	22.01	15.79
P/E ratio nil	19.87	19.84	20.04	20.30	20.19	17.05	-	-
Gold Mines	98.6	90.3	81.6	78.6	79.0	146.2	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2226.1 8/2/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2184.1	2179.0	2187.3	2185.7	2189.2	2187.0	2185.4	2186.8	2182.0	2190.2	2177.5

Volume	Feb 11	Feb 10	Feb 9	Feb 8	Feb 5	Year ago
SEAQ Bargains	33,737	30,665	34,101	36,866	35,741	28,451
Equity Turnover(£m)†	-	1271.5	1582.6	1026.2	1474.8	1019.9
Equity Bargains†	-	34,811	39,649	41,077	40,997	28,201
Shares traded (mil)†	-	540.2	608.9	526.5	605.2	441.0

† Excluding intra-market business and overseas turnover.

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures had a volatile session in which fears of further rights issues alternated with bid speculation in the banking sector, writes Joel Kibazo.

An initial retreat in the March contract on the FT-SE after opening at 2,835 was brought about by news of the Trafalgar House rights issue. That was quickly shrugged off and March reversed direction, pulled forward by the cash market. But it ran into another bout of selling at mid-morning as bid talk and speculation of further rights issues again went round the market.

However, buying from a leading US house sent March into positive territory again and this time it touched the day's high of 2,842. Then, weakness in sterling led to further selling that was encouraged by the early poor performance on Wall Street.

March finished at 2,834, up 7 from the previous close and around 3 points above the underlying cash market, after turnover of 8,480 contracts.

In traded options, most of the day's activity centred on the stock options. Bid speculation in TSB continued and it was the most actively dealt option with a total of 5,159 lots.

It was followed by Cadbury-Schweppes with 1,159 lots transacted and Glaxo with 1,405. Trafalgar House, on announcing its rights issue yesterday, was also busy. Total option market turnover came to 29,205 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2834.3 +17.9	3006.5 +4.6	1381.00 +6.92

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	19⅞xd	+⅛	21¼	14⅝	16,216	2.1
Allegheny & W	♥	525p	—	525p	226p	272.8	3.9
Amdahl		891p	+22	1158p	438p	683.7	1.2
Amer Cyanamid		37⅝	+¼	38⅝	28⅝	3,389	3.0
Amer Express		17⅞xd	+⅛	17¾	10⅞	8,395	4.0
Amer T & T		37⅞xd	+⅛	38	20⅛	50,389	2.4
Ameritech		52¼	+1⅛	52¼	32½	22,877	4.8
BankAmerica		37⅞xd	+⅛	37½	19⅛	12,813	2.6
Bankers NY		46⅜xd	+⅛	48⅞	28⅞	3,867	4.5
Bell Atlantic		37⅞	+⅛	37⅞	23⅛	16,398	4.7
BellSouth		38	+⅛	38	25	18,757	5.1
Bethlehem Steel	♥	13⅝xd	+⅛	13¾	5¼	1,233	–
Bowater		1525pxd	–102	1682p	905p	552.6	5.4
CPC	h	32½xd	+⅛	34	22⅜	4,922	2.5
Cadiz Land Inc	♥	115p	—	342p	106p	–	–
California Engy		1402p	—	1417p	581p	258.2	–
Chase Manhattan		21⅞xd	–¼	22¼	9⅛	3,284	3.9
Chrysler		28¼xd	+⅛	28½	8¼	8,272	1.5
Citicorp		18⅛xd	+⅛	18½	5⅛	6,825	–
Colgate-Palm		42⅛xd	—	43⅛	25¼	6,738	2.0
Cont'l Bank		1884p	+30	1891p	498p	1,701	2.6
Dana		33⅞xd	+¼	34⅞	14⅞	1,563	3.2
Data General		829p	+7	1004p	384p	228.8	–
Decora Inds	♥	146p	—	146p	66p	–	–
Dun & Brad		48⅛	+⅛	49⅞	27⅞	7,149	3.9
Eaton		58⅜	+1⅝	58⅜	32½	2,018	2.6
Echlin		18xd	—	18⅞	7⅞	1,031	2.7
FPL		27xd	+⅛	27	17⅞	4,905	6.3
Ford Motor		34⅞	+⅞	35¼	15	17,853	2.0
Gen Elect		81xd	+⅞	81¼	38¼	52,896	2.9
General Host	♥	716p	—	716p	380p	–	3.4
Gillette		36⅛xd	+¼	40	23⅞	8,432	1.3
Hasbro		20⅞	—	23½	12⅞	1,815	0.7
Honeywell	h	23⅞	–½	24⅜	16	3,282	2.6
Houston Inds		33⅛	+⅝	33¼	22	4,322	6.2
IBM		39⅛xd	–1⅞	54½	29⅝	20,576	4.1
Ingersoll-Rand		23⅞xd	–⅛	25	12⅞	2,494	3.0
Lockheed		41¼	+1	42½	22⅛	2,531	3.8
Lowe's	h	1883p	+9	2102p	815½p	1,454	1.0
Merrill Lynch		47⅞xd	+1⅞	48⅛	24⅞	4,994	1.7
Morgan (JP)		44⅞xd	—	44⅞	28⅞	8,424	3.7
Morris (Philip)		51⅞xd	+⅞	52⅛	37⅞	47,774	2.3
NYNEX		81	+⅛	81	39⅝	12,578	5.2

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992/93 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		184	—	200	147	3.2	234.4	16.8
Warrants		44	—	46	21	–	–	–
Scot Mortgage		191	–1	198½	135	2.7	220.8	13.4
Scot National Inc		94	–½	107	65¾	10.6	–	–
Cap		21		42	12½	–	61.3	67.4
Stepped Pf		164¼	–1	165½	126	5.3	–	–
Zero Div Pf		209	–½	212	160½	–	–	–
Warrants		[illegible]	—	9	3	–	–	–
Scot Value		77	—	77½	48	3.1	78.8	–1.8
Sec Alliance		1470	—	1483	1068	3.3	1629.1	9.8
Second Consld		102	+2	103	88	–	169.7	40.4
Second Market		204		204	222	0.7	340.0	13.7
Sec Tst Scot		82½	+½	83½	61	5.3	84.7	2.8
Select Assets		122½	—	125	78½	1.3	172.3	28.8
Eq Ind Sell		131	—	133	105	4.3	–	–
Eq Ind Sell		131	—	133	105	4.3	–	–
SHIRESCOT		121	—	124	90	6.8	120.3	0.6
Shires		257	—	282	188	9.5	240.0	–6.9
11pc Cv Ln '03/04		£131½	—	£131½	£99½	8.4	–	–
Stem Select		128	—	136	98	9.3	162.3	21.3
Warrants		33	—	35	10	–	–	–
Smaller Cos		88	—	88	68	3.4	96.1	–2.5
Warrants		24	—	25	10	–	–	–
Sphere Inc		17½xd	—	20	9½	28.6	31.3	44.1
Zero Div Pf		86	+½	86¼	63¾	–	–	–
Sumit		41	—	58	38	4.1	90.4	58.1
TR City of Lon		135	+1	137	97½	4.7	128.6	–5.0
TR Euro Growth		95	+2	96	70	1.9	110.2	13.8
Ptg Sub		28	+1	84	27	6.2	–	–
TR Far East Inc		136	+3	136	78	4.5	132.7	–2.1
Warrants		29½	+½	29½	12	–	–	–
TR High Inc		117	—	118	91	6.6	112.4	–4.1
Sub		27	—	39	21	7.4	–	–
TR Pacific		132½	+2½	132½	70	0.3	127.4	–4.0
TR Prop		29½		37	14½	‡	38.8	20.0

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Pancon		3½	—	4½	1½	0.39	–
Pioneer Expl		7	—	16	6	1.99	–
Greenwich Res		6½	+1½	11	2	5.26	–
Hamlo Gold C$		94½	—	[illegible]	62½	421.6	2.3
Jeanie West		35	—	53	30	19.1	–
Kalis Mines		6	—	42	6	0.14	–
Kenmare		7½	–½	8	3½	7.44	–
Mallaga Res		20½	–1	40	8	3.29	–
Navan Res		25	—	34	18	3.60	–
6pc Ln Notes		28	—	30½	25	5.08	–
Oryx Gold		48½	—	100	48½	–	–
Plateau		30	—	12	3	1.37	–
RTZ		608	+2	686	460	6,080	4.0
Vaasys		3½	+½	3½	1	1.74	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

AUTHORISED UNIT TRUSTS

	Init Chrg	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: Also called issue price. [illegible]

BID PRICE: Also called redemption price. [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT Managed Funds Service

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Sharp (Albert E.) & Co (1000)F
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European	5	108.38	109.00	114.70	+0.28	1.40
Intl Bond & Gen	5	124.80	125.00	131.60	+0.40	6.49
Pooled Pension ♣	7	150.5	154.5	165.3	.....	-
Smaller Cos	5	60.48	62.35	65.61	-0.15	2.00
UK General	5	114.90	116.60	122.70	+0.20	2.79

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	382.53	382.53	406.95	(z)	5.08
Global Inc	5	57.13	57.13	60.78	(z)	4.01
Brit Leaders	5	310.88	310.88	330.72	(z)	3.1
Intl Leaders	5	185.96	185.96	197.83	(z)	1.67
[illegible]	3¼	53.21	54.63	56.76	(z)	3

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Trust	6	52.29	52.41	55.76	+0.18	1.38
Far Eastern Tst	6	57.32	57.99	61.69	+0.51	0.80
Smaller Cos	5	138.5	142.7xd	151.8	-0.2	2.19

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American ♦	5	279.4	280.1	298.3	-4.10	0.85
S & W Capital	5	114.1	114.1xd	122.3	-0.30	1.85
S & W Cash ♦	0	102.34	102.34	102.34	+0.02	6.18
S & W European	5	114.4	114.4	121.1	+0.10	0.97
S & W Far Eastern	5	118.2	119.4	126.3	+1.00	0.07
S & W Growth	5	121.3	122.8xd	129.9	-0.60	1.44
S & W Income	5	107.9	109.1	115.4	-0.70	5.23
S & W Magnum	5	121.2	121.2	130.0	-0.30	1.83
S & W Smllr Secs	5	298.7	301.0	318.5	-1.10	0.72
S & W Thoroughbred	5	139.8	139.8xd	149.9	-0.40	1.66

Societe Generale Touche Remnant (1200)F
[illegible] Dock, EC4V 3AT 071-410 4029

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	85.73	85.73	91.68	+1.25	0
Eur Sp Sits Acc	5¼	44.68	44.68	47.60	-0.13	0

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Challenger	2¼	93.66	93.66	95.87	+0.06	0.00
Short Dtd Gilt	1¼	109.4	109.4	110.8	+0.20	4.47
U.S. Govmt Bond	1¼	$0.7079	0.7079	0.7172	+0.0005	0.00
Gilt Income	4	51.92	51.92	54.02	+0.15	8.00
Gilt Growth	4	64.67	64.67	67.31	+0.17	0.00
City Reserve	0	52.13	52.13xd	52.13	+0.01	6.29

Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 388046

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stockmarket Fd F	5	64.46	64.62	68.74	-0.01	2.20

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Int'l Expt Feb 3	672.2	694.2	.....	1.00

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071 214 1050 (general enquiries) 071 214 1004 (dealing)
Charitable Funds

	Bid Price	Offer Price	+ or -	Yield Grs
UK Growth & Income	52.77	54.63	-0.87	5.0
Income Plus	49.47	50.48	-0.12	7.5

James Capel Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
European Exempt	£110.735	111.998xd	+0.431	2.99
Japanese Exempt	£113.083	115.622	+2.363	-
Managed Exempt	£127.65	134.905xd	+0.976	3.21
North American Exempt	£107.211	109.114	+1.548	1.10
Pacific Exempt	£111.008	113.387	+2.002	2.98

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Reliance Mutual

Scottish Mutual Assurance plc – Contd.

Sun Life Unit Assurance Ltd – Contd.

CMI Insurance Co Ltd – Contd.

Foster & Braithwaite Ltd

Hambros Fd Mgrs (CI) Ltd

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

Scottish Provident Institution

Swiss Life (UK) PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Kleinwort Benson Intl Fd Mngrs Ltd

Federated International Funds Plc

GAM Fund Management Ltd

Knight Williams & Company Ltd

Royal Heritage Life Assurance Ltd

Scottish Widows' Group

TSB Life Ltd

Eagle Star Intl Life

Equitable Life (International)

Lazard Fund Mngrs (Channel Islands) Ltd

GT Asset Management (Ireland) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

Euralife Assurance Group

Fleming International Ltd

Macarthey & Dowie Invest Mngt Plc

Target Life Assurance Co Ltd

Hafnia Prolific International

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Skandia Life Assurance Co Ltd

Northam Biggs & Partners

M & G (Guernsey) Ltd

Hafnia Prolific International Mngmt Ltd

Morgan Grenfell Investment Funds Ltd

Tunbridge Wells Equitable

Prudential Fund Managers (Guernsey) Ltd

Pendleton Ashby Financial Services Ltd

Buxborough Financial Management Ltd

Swiss Life Investment Fund (a)

Isle of Man Assurance Ltd

Charles Stanley & Co Ltd

Rothschild Asset Management (CI) Ltd

United Financial Corporation Ltd

J. D. Ward Financial Services Ltd

IRELAND (REGULATED)

NEL Britannia International Ltd

Bank of Ireland Unit Managers Ltd

Royal Life Insurance Ltd

Templeton Life Assurance Limited

Tenders' Assurance Company Ltd

OFFSHORE AND OVERSEAS

Standard Life Assurance Company

Barings International Fd Mngrs (Ireland) Ltd

PanEuroLife

BERMUDA (SIB RECOGNISED)

Providence Capital International Ltd

Fidelity Money Funds

Barclays Mutual Fund Mngrs (Ireland) Ltd

Royal Life Investments

Sun & Prosperity Group (a)

Royal Bank of Canada Offshore Fd Mgrs Ltd

GT Asset Management

Sun Alliance Group

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Pacific Portfolio Managers Limited

Hambros Fund Managers (Ireland) Ltd

Irish Life International Fd Mngrs Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Paine Webber Offshore Funds Plc

N. Rothschild International Asset Mgmt Ltd

Provident Life Assoc Ltd

Scottish Amicable

Royal Life Intl. Ltd

Lloyd George Management

Newport Investment Management

Orion Fund Limited

Schroder Investment Mngmt (Guernsey) Ltd

Provident Mutual Life Assc. Assn.

Royal Skandia Life Assurance Ltd

GUERNSEY (REGULATED)

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

CANADA (SIB RECOGNISED)

ANZ Mngmt Co (Guernsey) Ltd

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Eastmore Management (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Kewley Investment Management Ltd

Prudential Assurance Co

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

GBC Asset Management

Sarasin International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

AIB Govett Inv Managers (Guernsey) Ltd

Prudential Corporate Pension Funds

Scottish Equitable Life Assce. Soc.

AEtna Intl Assurance (Bermuda) Ltd

Investment Portfolio Svs (CI) Ltd

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (I.o.M.)

Asset Global Funds Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Adams & Neville Fd Mngmt (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Sun Alliance International Life

Butterfield Fund Mngrs (Guernsey) Ltd

Target International Group

CMI Fund Management (IoM)

Equitable International Fund Managers Ltd

Gartmore Flight Fd Mngrs (Guernsey) Ltd

Mercury Fund Managers IoM Ltd

Sun Life International Fund Mgrs

Prudential Individual Life Funds

Scottish Life Investments

Albany International Assurance Ltd

Merrill Lynch Guernsey

ISLE OF MAN (REGULATED)

Nikko Capital Mngt (Europe) Ltd

ATC Fund Management (GC) Ltd

AXA Equity & Law Intl Fund Mngrs

Quilter International Management Ltd

Prudential Individual Pension Funds

Scottish Mutual Assurance plc

Sun Life Unit Assurance Ltd

CMI Insurance Co Ltd

MANAGEMENT SERVICES

Scottish Trust Financial Management

Chase de Vere PLC

CCU Terminal Plc

Fairmont Financial Services Ltd

Sarasin Funds Management (Guernsey) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Aquarian Financial Advisers Ltd

City Financial Admin (IoM) Ltd

Dawson Lawrie Inv. Mgt. Ltd

Guinness Flight Mngrs (IoM) Ltd

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Gtr Geared Curr NAV Feb 5		$14.56		-
Paragon Plus Bnd Feb 2		£9.85		-
Paragon Stlg Bnd Feb 1		£13.33		-
SE Asian Wnt NAV Feb 11		$9.75		-
Govett Mgd Ftr Feb 5	£13.34	14.54		-
Govett Mngd Ftrs Feb 5	$9.45	10.34		-
[illegible]		$14.96		-
[illegible] Feb 11		$7.15		-
Gtr Geared Bd Feb 5		$7.29		-
IBI Global Funds Limited				
Intl Stlg [illegible]	£21.75	22.91		-
Intl $US Gwth	$18.14	19.10		-
High Income Gilt	£26.49	27.47		-
International Equity	£22.46	23.65		-
International Bond	£24.25	25.14		-
Managed Currency	£28.06	28.95		-
Sterling Currency	£26.79	27.07		-
US$ Currency	$37.87	38.26		-
Irish £ Currency	I£15.81	15.98		-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.21	11.69		-
R.F. Offshore Inc Fd Ltd	£12.44	12.97		-
IMC Offshore Fd	£9.85	10.66		-
[illegible] W/W $/£	£11.36	11.63		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£- 22.5846	22.5917		-
Managed Capital Bd	5		I£- 22.2834	22.3100		-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	11.1063		-
Sterling Currency Fd	5		£-	10.6566		-
Ecu Currency	5		Ecu-	11.0749		-
US Dollar Mngd Curr	5		$-	21.6944		-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Inc)	5¼	£1.016	1.021	1.092	[illegible]	1.4
Global Income (Inc)	5¼	£0.557	0.557	0.596	[illegible]	2.9
Global Resources	5¼	£0.456	0.461	0.493	[illegible]	0.2
[illegible]						
Stg Premium Income		£10.15	10.16		+0.01	6.1
Sterling		£-	23.75		+0.01	5.7
US Dollar		$-	32.55		-0.01	2.0

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	I£2.629	2.761	+0.032	1.21
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	I£10.00	10.04	-0.02	9.36
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Feb 11	$13.79	14.08	+0.35	2.86
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	54.7	57.00		7.37
UK Equity Fd (z)	227.4	242.0	-1	2.64
*Intl Bond Fd	100.8	104.0	-1	6.51
*Sterling Mngd Asst Fd.	568.0	588.00	-	4.60
*Sub day every Thurs				
NatWest TrustCur Currency Fund (z)				
Dollar Class		$38.3331	+0.0469	-
Sterling Class		£27.2033	+0.0125	-
D-Mark Class		DM84.6621	+0.0522	-
Japanese Yen Class		Y7998.4795	+1.5288	-
Ashburton Realica Portfolio Ltd				
[illegible]	I 11.79	12.26	-	-
[illegible]	$10.70	11.12	-	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Jan 14	$35.28	36.52		-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd.	$3.7030	3.9352		-
Offshore Japanese Gwth Fd	$0.9427	1.0019		-
Offshore Am Gwth Fd	$6.7840	7.2094		-
Offshore Emerging Cos.	$4.1221	4.3806		-
Offshore European Fd	$1.5640	1.6536		-
Offshore Global Bond	$0.9736	1.0142		-
Offshore Global Bond Acc	$0.9736	1.0142		-
Offshore Far Estn Fd	$2.4491	2.6027		-
Offshore UK Growth Fd	$1.9792	2.1034		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Feb 5		$4.26		-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£15.63	15.87	-	1.43
LFM Defensive Strtgy.	£11.49	12.09	-	-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (z)†	99.40	99.40	-	8.87
International Bond (z)†	$1.123	1.138	-	5.29
†Prices on Feb 5 Next dealing Feb 10.				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling		£36.8884		6.40
US $		$48.8946		1.89
D-Mark		DM84.3239		7.56

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

The flight into yen continues

THE YEN came close to testing its all-time high against the US dollar yesterday on speculation that finance ministers from both Japan and the US would discuss reducing the huge Japanese trade surplus this weekend, *writes James Blitz.*

For the third day running, the yen gained new ground against most other currencies in heavy trading. It closed at Y72.46 against the D-Mark from a previous Y73.00 on what one dealer described as the most turbulent day in his dealing room this year.

Its performance against the dollar was even stronger, helped by lacklustre retail sales figures in the US. The dollar closed in London at Y120.2, from a previous Y120.8. At one stage the dollar was as weak as 119.50, near to the historic low of Y119.00 set last year.

The yen also continued its extraordinary performance against sterling, closing for the third day running at a new all-time high against the pound of Y170.5. For British importers of Japanese goods, the exchange rate of Y234.25 recorded the day after the UK general election last year must seem a world away.

The flurry of yen buying began after Mr Thomas Foley, the speaker of the House of Representatives, said he thought that President Bill Clinton might favour policies aimed at strengthening the Japanese currency.

US Treasury officials later played down the possibility that an accord on reducing the Japanese trade deficit might be reached when Mr Lloyd Bentsen, the US Treasury Secretary meets the Japanese Finance Minister this weekend.

Mr Steven Hannah, a director of IBJ International in London, said the current flight into the yen was similar to one which took place last year, when words from politicians failed to be backed up by actions. "There is still a risk that interest rates in Japan can fall further," he said, believing that the current rally would be hard to sustain.

However, Mr Jeremy Hawkins, Vice President of Bank of America in London, said the market could test the yen's all-time high against the dollar again. "With the difficulties over the GATT talks and the US embargo on steel imports, trade issues are taking up an increasing amount of the market's attention," he said.

Trading inside the European exchange rate mechanism remained quiet and the French franc closed at FFr3.379 against the D-Mark from a previous FFr3.383. However, omens of tension continued to be seen in the background.

In Frankfurt, Mr Hans Tietmeyer, the Bundesbank Vice President, spoke in favour of "limiting to greater extent recourse to foreign currency market intervention."

In Paris, the Director of the French Bankers' Association, said that banks are now losing FFr300m a month with base rates at 10 per cent and the cost of money at 12 per cent. He said French base rates may have to rise.

£ IN NEW YORK

Feb 11	Latest	Previous Close
£ Spot	1.4180-1.4190	1.4235-1.4245
1 month	0.34-0.33pm	0.36-0.34pm
3 months	1.02-0.99pm	1.00-0.98pm
12 months	2.65-2.55pm	2.60-2.50pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 11	% Change from Central Rate	% Spread v. Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.443	-2.61	3.15	46
Portuguese Escudo	180.624	176.437	-2.32	2.85	39
Irish Punt	0.809996	0.798025	-1.48	1.97	62
Dutch Guilder	2.20045	2.18904	-0.52	0.99	21
D-Mark	1.95294	1.94515	-0.40	0.87	20
Belgian Franc	40.2802	40.1342	-0.36	0.85	13
Danish Krone	7.44934	7.45195	0.04	0.43	-6
French Franc	6.54988	6.58024	0.46	0.00	-31

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4155 - 1.4275	1.4180 - 1.4190	0.36-0.34cpm	2.96	1.01-0.98pm	2.81
Canada	1.7990 - 1.8065	1.7790 - 1.7800	0.09-0.01cpm	0.34	0.10pm-0.02dis	0.09
Netherlands	2.6425 - 2.6695	2.6425 - 2.6525	½-½cdis	-1.98	1½-1½dis	[illegible]
Belgium	48.45 - 49.05	48.45 - 48.55	15-20cdis	-4.33	41-50dis	[illegible]
Denmark	9.0005 - 9.0680	9.0050 - 9.0150	10½-16½oredis	-17.9	28½-35½dis	-14.15

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
111	2.16	-	-	0.02	0.18	-
112	1.21	-	-	0.07	0.29	-
113	0.43	-	-	0.28	0.47	-
114	0.07	1.42	-	-	0.72	-
115	-	1.03	-	-	1.09	-
Open int.	130,589	106,789	7,461	191,582	61,987	N/A

Estimated volume [illegible]
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	7
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	7
Bank of Scotland	6	Hampshire Trust Plc	10.5	●United Bk of Kuwait	6
Barclays Bank	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	●Hill Samuel	6	Western Trust	6
●Brown Shipley	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Hongkong & Shanghai	6	Yorkshire Bank	6
Citibank NA	6	Julian Hodge Bank	6		
City Merchants Bank	6	●Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	6		
Coutts & Co	6	McDonnell Douglas Bk.	6		
Credit Lyonnais	6	Midland Bank	6		

● Members of British Merchant Banking & Securities Houses Association

POUND - DOLLAR

[illegible]

MONEY MARKETS

Sterling futures down

STERLING futures had another mild fall yesterday as the pound remained weak on the foreign exchanges, raising speculation that the UK government would find it difficult to cut interest rates again, *writes James Blitz.*

Sterling flirted with its historic low against the D-Mark throughout yesterday and this helped to depress sentiment in trading on the March futures contract.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

The onset of yesterday's keynote speech by Mr Eddie George, the Governor-elect of the Bank of England, also saw selling of "the March." Mr George is reputed to take a hard-line view about the need to combat inflation, raising speculation that he would warn against hasty interest rate cuts.

Both factors helped to push the March short sterling contract down 8 basis points at one stage yesterday, to a low of 94.07 in the mid-afternoon. The contract later closed at 94.08, at which level it prices 3-month money at 5.92 per cent in budget week next month.

Dealers remained divided over whether the contract could fall much further from these levels. Some continued to feel that it was a good buy, with good reasons to expect rates in both the UK and Europe to fall in the near-term.

However, another London-dealer suggested that the contract could easily reach convergence with yesterday's closing level for 3-month money, which yesterday was 6¼ per cent. In his view, the pound's weakness made another near-term cut in base rates unlikely.

Sentiment in the cash market was much easier after most of the £1.05bn shortage forecast by the Bank of England in the morning was removed.

The March Euromark contract gained 7 basis points, to close at 92.02, following slight falls in the first two days of this week. In the German cash market, call money rates of between 8.55 per cent and 8.60 per cent were quoted unchanged throughout the day.

The better tone in Germany could not raise spirits in French franc markets, however. The Director of the French Bankers' Association said that base rates may have to rise if short-term interest rates remain high.

The March franc contract fell 2 basis points to a close of 88.54. Both 1-month and 3-month French francs closed at around 12 per cent.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

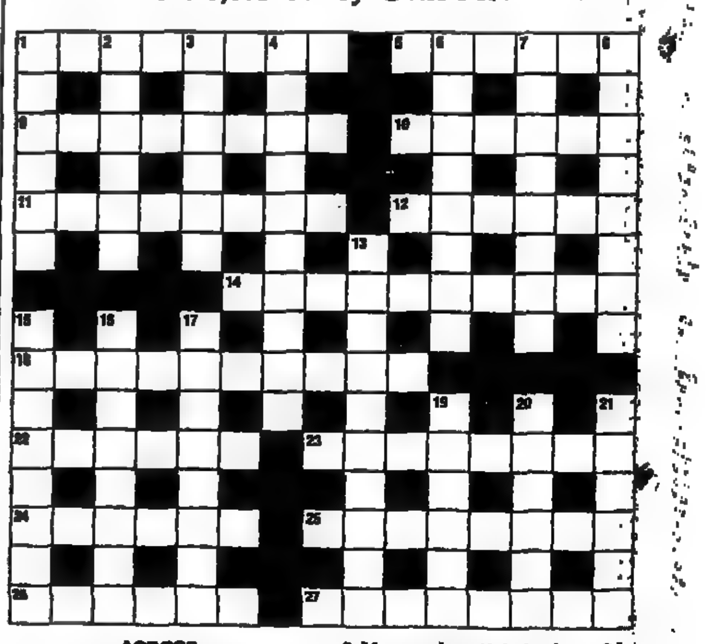
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,075 Set by GRIFFIN



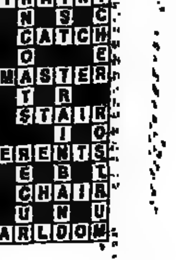
ACROSS

1 View school brochure without us (8)
5 Risk of garden getting spoilt (6)
9 In fast time dress back using embrocation (8)
10 Put by second editor about to start revising (6)
11 Fearless interpretation I printed (8)
12 Attempt to get keys to stronghold (6)
14 Special woolly pair cut 50% larger (10)
18 Where one layer gets moved around (10)
22 The endlessly studied yarn (6)
23 Agents' children returned and put one in (8)
24 Sieve about 50, roughly dried (6)
25 Man on board cried out "rubbish", going astern (8)
26 Conservative with skill on the box (6)
27 Urge female students to paint (8)

DOWN

1 Pale friend needs a hat (6)
2 Fancy soldiers ringing Brown up after a ball! (6)
3 Overindulge father, having a new perm (6)
4 Frank and a group backing runners (10)
6 Man-made article broken after performance (8)
7 Storm about wild orgy's ugly features? (8)
8 Way trader stands embracing singer (8)
13 Amazing line about a rejected egg! (10)
15 Raise church store I rebuilt in secret (8)
16 Trained people may walk along one (8)
17 Set of wives ordering gear oils (8)
19 Clothing first used during confinement (6)
20 Rarely tell members about it (6)
21 Starry as a student taking up painting, perhaps (6)

Solution to Puzzle No.8,074



WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close February 11

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
62900	Cascades	$6 7/8	6 7/8	6 7/8	+1/8
200	Celanese	$42 3/4	42 3/4	42 3/4	+1/4
3700	CntCpltal	80	75	75	-5
9500	Cinepx Odn	180	175	175	-3
1000	Cntrl Fd A	480	475	475	
88800	Cominco	$17 1/8	16 7/8	17	+1/4
10000	Copsaslog	65	65	65	+2
21800	Corel Sys	$15	14 3/4	14 7/8	-1/8
102700	DescantDev	110	100	100	-10
24700	CrownX A	285	280	280	-5
471100	Labatt	$28 3/8	28	28 1/2	+1/8
1483700	Lac Minls	$7 1/2	7 1/8	7 1/4	-1/4
4500	Lafarge	520	20	20	
8800	Laidlaw A	$11 5/8	11 1/4	11 3/8	-1/8
107200	Laidlaw B	$11 3/4	11 3/8	11 3/8	-1/4
400	Laurent Bk	$19 5/8	19 5/8	19 5/8	
1300	Laurent Gp	500	500	500	
13800	Lawson Mar	$9 3/4	9 1/2	9 1/2	-1/4
15800	Loblaw	$21 1/2	21 1/4	21 1/2	+1/8

MONTREAL

4 pm close February 11

INDICES

NEW YORK

DOW JONES

	Feb 10	Feb 9	Feb 8	Feb 5	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3412.42	3414.58	3437.54	3442.14	3442.14 (5/2/93)	3136.58 (9/10/92)	3442.14 (5/2/93)	41.22 (2/7/32)
Home Bonds	105.87	105.74	105.44	105.70	105.87 (10/2/93)	98.41 (20/3/92)	105.87 (10/2/93)	54.99 (1/10/81)
Transport	1585.17	1589.40	1598.61	1585.58	1598.61 (8/2/93)	1304.40 (25/8/92)	1598.61 (8/2/93)	12.32 (8/7/32)
Utilities	230.81	232.47	233.28	233.73	234.16 (4/2/93)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Ind. Day's High 3438.08 (3440.16) Low 3379.19 (3394.86) (Theoretical)♦
Day's High 3424.53 (3435.40) Low 3394.85 (3407.83) (Actual)♦

STANDARD AND POOR'S

	Feb 10	Feb 9	Feb 8	Feb 5	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	446.23	445.33	447.85	448.93	448.93 (4/2/93)	394.50 (8/4/92)	448.93 (4/2/93)	4.40 (1/6/32)
Industrials	515.16	514.23	517.38	518.41	518.43 (4/2/93)	470.91 (8/4/92)	518.43 (4/2/93)	3.62 (21/6/32)
Financial	43.50	43.51	43.79	43.88	44.32 (4/2/93)	32.48 (8/4/92)	44.32 (4/2/93)	8.64 (1/10/74)
NYSE Composite	245.93	245.54	247.07	247.80	247.98 (4/2/93)	217.92 (8/4/92)	247.98 (4/2/93)	4.46 (28/4/42)
Amex Mkt. Value	416.16	416.00	417.16	416.53	418.98 (12/2/92)	364.85 (9/10/92)	418.98 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	695.02	692.21	698.44	700.98	700.85 (4/2/93)	547.84 (26/6/92)	700.85 (4/2/93)	54.87 (31/10/72)

	Feb 5	Jan 29	Jan 22	year ago (approx.)
Dow Industrial Div. Yield	3.01	3.13	3.18	2.87
	Feb 3	Jan 27	Jan 20	year ago (approx.)
S & P Industrial div. yield	2.46	2.51	2.60	2.58
S & P Indl. P/E ratio	27.44	26.98	26.62	25.43

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
East Kodak	3,757,300	51 7/8	- 1 7/8
RJR Nabisco	3,633,200	8 1/4	+ 1/4
IBM	3,601,800	52 1/4	- 1 1/8
Merck	3,431,900	40 1/8	+ 1
Chrysler	2,735,600	40 1/8	+ 7/8
Citicorp	2,484,500	25 3/8	—
Exxon	2,471,900	18 3/4	+ 7/8
Mattel	2,278,500	23 3/4	+ 1/8
Gen Motors	2,277,800	38 3/4	+ 3/8
Battle Mount.	2,016,100	6	+ 1/8

TRADING ACTIVITY

† Volume Millions	Feb 10	Feb 9	Feb 8
New York SE	248.480	233.620	240.350
Amex	21.228	21.241	19.053
NASDAQ	259.409	278.576	(a)
NYSE			
Issues Traded	2,449	2,462	2,473
Rises	945	897	937
Falls	886	1,208	945
Unchanged	617	557	591
New Highs	79	84	137
New Lows	15	17	11

CANADA

TORONTO

	Feb 10	Feb 9	Feb 8	Feb 5	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2850.35	2872.35	2827.82	2800.02	3238.87 (16/1/92)	2529.81 (17/11/92)
Composite	3442.69	3414.11	3394.63	3377.81	3666.00 (16/1/92)	3165.40 (14/10/92)
MONTREAL Portfolio	1788.88	1778.88	1767.00	1767.18	1937.59 (16/1/92)	1663.15 (14/10/92)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrials, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

WORLD	Feb 11	Feb 10	Feb 9
M.S. Capital Intl.(1/1/70) $	506.6*	504.2	503.1
Euro Top-100 (26/6/90)	913.99	911.72	911.97

**Saturday February 6: Taiwan Weighted Price: 3,545.41, Korea Comp Ex. [illegible]
▼ Subject to official recalculation.

Base values of all indices are 100 except Austria Traded, 952.21, HEX Gen., [illegible] 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinaries [illegible]

TOKYO - Most Active Stocks

Wednesday, 10th February, 1993

	Stocks Traded	Closing Prices	Change on day
Isuzu Motor	5.8m	380	+5
Gajoen Kanko	5.4m	265	+25
Nissan Chem Ind	2.9m	758	+8
Toyota Motor Ch	2.7m	1,440	
Sekisui House	2.6m	936	-12
Nagase & Co	2.3m	830	+45
Daikyo Kanko	2.3m	824	+29
Oki Electric Ind	2.1m	400	-5
Seiko Sangyo Co	2.1m	751	+20
Hitachi	1.8m	700	-7

4 pm close February 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	10¾	AAR Corp	0.48	4.0	22	69	12⅛	12	12⅛	+⅛
28½	18	A L Labs A	0.18	0.7	161	131	28⅛	25½	25⅞	+⅛
68¾	52⅞	AMP Inc x	1.60	2.7	21	773	58⅞	58½	58⅞	+⅛
80¼	54⅞	AMR			0	3303	62⅞	62⅛	62⅛	-⅛
2⅜	1⅜	ARX			13	55	2	1⅞	2	
53½	29⅞	ASA	2.00	5.4	24	704	37⅞	36⅞	36⅞	-1⅛
34¼	26	Abbott Lab	0.60	2.2	16	8943	28¼	27⅜	27¾	+⅛
13⅞	10⅜	Abitibi Pr	0.50	4.5	4	26	11⅛	11	11	-⅛
11⅝	10⅛	ACM Gvt In x	0.96	8.5		272	11¼	11⅛	11¼	+⅛
10⅜	9	ACM GvOpp x	0.80	8.5		57	9⅜	9¼	9⅜	+⅛
9¾	8½	ACM Gvt Sp x	0.80	8.6		82	9⅜	9¼	9¼	-⅛
11½	9⅞	ACM Gvt Se	0.96	8.7		609	11	10⅞	11	+⅛
10⅝	8⅝	ACM Man x	1.08	10.5		58	10¼	10⅛	10¼	
12⅞	8⅝	ACM Managd x	0.78	8.5		145	9¼	9⅛	9⅛	
11¾	4¾	Acme Cleve	0.40	4.6	18	39	8¾	8½	8¾	+⅛
9¾	3¾	Acme Elect			787	20	8	7⅞	7⅞	-⅛
33¾	13½	Acuson			10	1068	13⅞	13⅝	13¾	-⅛
27⅛	18⅛	Adams Expr x	0.48	2.3	1	125	20¾	20⅝	20¾	
49⅝	29½	Ad Micro	3.00	6.1		1012	48⅞	48¼	48⅞	+⅞
21½	7½	Ad Micro P	3.00	14.5	8	12486	20¾	20	20⅝	+⅜
9⅜	4⅞	Advest Grp	0.16	2.5	13	188	6½	6⅛	6½	+¼
45⅜	33	Aegon ADR	1.35	3.1	8	133	44¾	44	44	-⅞
53¾	38	Aetna Lf	2.76	5.5	14	6067	51½	50⅝	50⅝	-1⅛
14½	6⅜	Ahm A x	0.24	2.0	30	519	12⅝	12⅛	12¼	+⅛
36½	24	Aflac x	0.44	1.2	16	732	36⅛	35¾	36	
22⅛	13	Ahmanson x	0.88	4.4	9	2295	20½	19½	20	-½
22½	4	Aileen Inc			11	270	7½	6¾	6⅞	-½
49½	36½	Air Pr Chm	0.88	1.9	18	3838	48⅞	45⅞	46¼	+1
29¾	12½	Airbns Frt	0.30	1.3	185	281	22½	22⅛	22¼	-¼
23	11¼	Airgas Inc			31	262	22⅝	21⅞	22⅝	+⅝
12⅞	8⅛	Airlease	1.60	13.1	10	82	12¼	12⅛	12¼	
[illegible]										
25¾	21⅝	Bd Tr 1836	2.20	9.2		20	24	24	24	
18¾	13½	Bear Strns x	0.60	3.4	6	2069	17¾	17½	17½	-⅛
49	43⅞	BearSPIA	3.03	6.4		3	47	47	47	
23¼	18¾	Bearings x	0.64	2.9	180	10	22⅛	22⅛	22	
25½	17⅝	Beckman In x	0.36	1.5	15	182	24⅛	23⅞	23⅞	
84⅛	64⅞	Becton Dkn	0.66	0.8	14	358	78¾	78	78	-¾
37½	25⅞	Belding Hr	0.64	2.1	22	60	31¾	30⅞	31⅛	+⅛
54⅝	40¼	Bell Atlan	2.60	4.8	16	2578	54¼	53½	53¾	+⅛

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R -

[illegible]

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NYSE COMPOSITE PRICES

1992/93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
22⅝	14⅞	Roddick	0.24	1.1	16	417	22	21⅞	21⅞	
37	18	RoseBerrie	0.70	2.6	8	858	27⅝	26⅝	27¼	+1¼
40⅞	27¾	Russell Cp x	0.36	1.0	17	210	35⅛	34⅝	34⅝	-⅝
32¼	19⅝	Rydex Syst	0.60	2.0	22	2477	30¼	29⅝	30¼	+½
29	18½	Ryland Grp	0.60	3.1	11	658	20	19½	19⅝	-⅜
- S -										
21	16¾	S Anita Rt	1.36	6.8	27	120	20	19¾	19⅞	+⅛
20¼	13¼	SCOR US Cp	0.28	1.4	17	140	u20¼	20	20¼	
29½	19	SPS Techno	1.28	6.2	34	9	20¾	20⅝	20¾	-⅛
15⅝	12⅞	Sabine RR x	1.25	9.4	10	9	13¼	13¼	13¼	
11⅞	7¾	Safecard	0.10	1.0	14	84	10½	10⅜	10½	
23½	11⅞	Safeg'd Sc			10	160	20⅝	20½	20⅝	-⅛
32¼	22⅞	SafetyKln	0.36	1.6	25	2908	22¾	22	22⅝	-½
20¼	9⅞	Safeway			15	1589	13	12⅝	12⅞	-⅛
4⅝	2	SafewayWt				1102	2⅝	2½	2⅝	-⅛
41⅞	29⅞	StJoePaper	0.20	0.5	44	107	38¾	38½	38⅝	
34¼	28⅞	StJosLtP x	1.76	5.2	15	27	33⅝	33½	33⅝	+⅛
83¼	66½	St Paul's	2.80	3.4	21	577	82⅝	82	82	-½
10	2⅞	Salant Crp			5	65	9½	9¼	9¼	-⅛
78	61⅞	Sallie Mae	1.20	1.9	15	17014	65⅞	62¼	63¼	-2⅝
14⅞	13	Salomon Br x	0.81	4.8		389	13½	13¼	13⅜	-⅛
41¾	26¼	SalomonInc	0.64	1.5	10	2178	u41⅞	41½	41⅞	+⅜
25⅞	21¼	SanDgo G&E	1.44	5.7	14	1567	25¼	25	25⅛	+⅛
4⅞	2⅞	SantaFeEDu	0.40	10.7	41	45	4	3¾	3¾	-⅛
9⅝	7	SantaFeEne	0.16	1.7	137	482	u9⅝	9½	9⅝	
39¼	30¼	SantaFePac	2.80	7.3	13	65	38½	37¾	38¼	+⅝
15¼	10⅝	SantaFeSth	0.10	0.7	43	5227	14⅝	14⅝	14¾	
32½	27	Sara Lee	0.58	2.0	21	4836	29	28⅝	28⅝	-½
44⅜	38⅝	Scana Corp	2.68	6.1	15	189	44	43¾	44	+¼
47⅞	40¼	Scecorp	2.80	6.1	13	1146	46½	46	46½	+¼
39⅞	22⅞	SchererRP			28	679	31⅝	31	31¼	+¼
[illegible]										

- T -

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- V -

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- W -

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- X - Y - Z -

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AMEX COMPOSITE PRICES

4 pm close February 11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Odetics A		95	27	7⅝	7⅜	7⅝	+⅛
Xytronix		6	15	6¾	6⅝	6¾	-⅛

NASDAQ NATIONAL MARKET

4 pm close February 11

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Dow reflects strong gains on jobs data

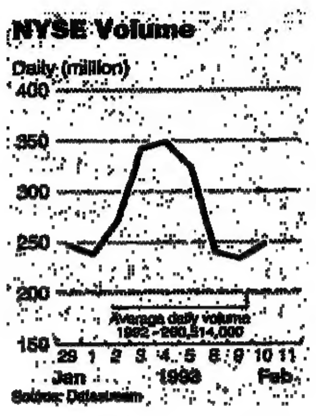
Wall Street

AFTER a period of consolidation and profit-taking, US markets roared back to life yesterday, with share prices posting strong gains across the board, *writes Patrick Harverson in New York.*

Just before midday the Dow Jones Industrial Average was up 20.26 at 3,432.68. The more broadly based Standard & Poor's 500 was 1.89 higher at 448.12, while the Amex composite was 0.60 firmer at 416.70, and the Nasdaq composite was up 1.92 at 696.94. Trading volume on the NYSE was 119m shares by 12 pm.

Advances in overseas equity markets set the tone for a strong opening in New York, although it was not until mid-morning that demand really began to pick up. Sentiment was boosted by good news from the jobs market, where weekly unemployment insurance claims fell 12,000 in the last week of January. The news on retail sales, however, was less positive: sales rose 0.3 per cent in January, and excluding car sales, they climbed just 0.1 per cent. Both sets of figures were below market expectations.

Corporate earnings continued to affect prices. General Motors was the day's main story, with the stock rising $1 to $40¼ in volume of 2.3m shares after the car manufacturer reported a $23.5bn loss for 1992. This was primarily the result of extraordinary charges related to government mandated changes in accounting standards.



The other two big car stocks were also firmer: Chrysler climbed $¾ to $41 in busy trading after Salomon Brothers, the securities house, raised its earnings estimates for 1993, 1994 and 1995. Ford, which announced that it was to launch a credit card for customers in conjunction with Citibank, rose $¼ to $50.

IBM was a rare loser, dropping $1 to $51⅛ in volume of 1.5m shares after announcing plans to increase the number of jobs it proposes to cut in North America.

Sears, Roebuck jumped $1⅝ to $51⅝ as it unveiled a five-year, $4bn programme to upgrade its stores and announced details of a plan to complete an initial public offering of stock in its Dean Witter securities brokerage and credit card subsidiary.

Cummins Engine rose $2⅞ to $84⅞ after reporting strong fourth quarter earnings as the company continues to recover from a string of losses.

Canada

TORONTO was mainly unchanged at midsession on profit-taking following recent gains. The TSE-300 index was up just 0.41 at 3,443.00 in volume of 23.7m shares valued at C$235m. Advances led declines by 289 to 218 with 254 issues unchanged.

Gold shares, which had gained on Wednesday following a rise in the price of bullion, eased with American Barrick down C$⅛ at C$41⅞.

EUROPE

Roller-coaster ride in Italian equities

POLITICAL trepidation in Italy, and French interest in the recently-embattled Euro-equity stocks were the main features in bourses yesterday, *writes Our Markets Staff.*

MILAN calmed itself at the start of the new trading day with domestic institutions and overseas investors apparently ready to put Wednesday's traumas behind them.

But prices again turned down as the market was convulsed by rumours that Prime Minister Giuliano Amato was under investigation in the political corruption scandal that forced Mr Claudio Martelli to resign as justice minister.

A firm denial of the story by the Milan magistrate who heads the investigation enabled prices to pick up from their lows, but it did not overcome renewed nervousness in the market and the Comit index fell again, closing 8.63 lower at 487.52.

The roller-coaster ride taken by the Fiat share price tracked the day's political events. The shares picked up to an early high of L4,625 before easing back to fix L10 firmer at L4,591. In after-hours trading, the price dipped to a low of L4,460 at the height of the Amato rumours before pulling back up to L4,530.

State groups facing privatisation were also hit by the spectre of political instability that could put the government's programme in jeopardy. Credito Italiano fell L200 or 6½ per cent to fix at L2,853.

PARIS recovered the 1,900 level with interest centred on Euro Disney and Eurotunnel, the latter having shown strong volume all week. The CAC-40 index closed up 12.20 at 1,905.27, after a day's high of 1,920.07, in good turnover of FFr3.5bn.

Euro Disney attracted investors in spite of comments from the group that it expects a "substantial loss" for fiscal 1992/93. However, some analysts said that many institutions were now looking further ahead and saw the group benefiting from lower European interest rates. The shares rose FFr1.40 to FFr76.00, but off the day's high of FFr77.90.

Eurotunnel gained FFr1.25 to FFr38.15 in good volume.

Bancaire came off early lows after reporting a 57 per cent decline in 1992 net attributable profit to finish up FFr12.50 at FFr462.70 as investors turned their attention to the current year.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

February 11 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1124.78	1123.88	1121.94	1122.80	1123.57	1124.13	1127.67	1126.71
FT-SE Eurotrack 200	1176.43	1175.99	1174.03	1176.27	1176.77	1175.21	1178.66	1175.45

	Feb 10	Feb 9	Feb 8	Feb 5	Feb 4
FT-SE Eurotrack 100	1121.50	1124.14	1131.12	1129.52	1113.35
FT-SE Eurotrack 200	1171.08	1177.40	1190.15	1189.21	1183.60

Base value 1000 (26/10/90) High/day: 100 - 1127.67; 200 - 1178.78 Low/day: 100 - 1121.15 200 - 1170.63

The financial sector was generally firmer on expectations of privatisations, should there be a change of government next month. Société Générale gained FFr14 to FFr630, Paribas rose FFr8.30 to FFr406.50 and Suez advanced FFr2.30 to FFr286.90.

FRANKFURT edged up to its highest close since last July 21, the DAX ending 1.24 better at 1,651.05. Of the 30 DAX shares, 15 were higher by Thursday's closing, while 14 were lower and one was unchanged.

Turnover was DM6.5bn down from Wednesday's DM8.2bn. The DAX got its impetus largely from carmakers, engineers, and steels, all of which have seen downbeat comment from analysts in recent days.

As BMW rose DM4 to DM514.50, and Volkswagen DM2.40 to DM294.90, James Capel was sending out a morning letter which commented on the collapse in European January car registrations: while the sector has outperformed since end-December, it said, trading conditions in the automotive industry are deteriorating faster that any time during the current recession.

Engineers included a DM8.50 gain to DM779 for Linde while steels saw Thyssen DM3.20 better at DM180.20.

According to Mr John Longhurst of James Capel, all empirical evidence suggests that although the fall in foreign demand for capital goods is showing signs of stabilising at a lower level, domestic demand – where margins are high – continues to deteriorate, and rapidly.

MADRID returned to the upgrade on growing expectations of an interest rate cut, the general index closing 3.28 higher at 237.54. Turnover was around Pta28bn and gains included Pta35 to Pta1,355 for Telefónica and, among the debt-burdened electrical utilities, Endesa Pta205 higher at Pta4,220.

Banesto reversed on consideration of its rights issue terms, losing Pta120 at Pta2,315.

ZURICH struggled to find direction before some late buying took the SMI index 7.1 higher to 2,127.9.

AMSTERDAM improved as investors again bought Royal Dutch and Akzo. The oil group, up Fl 1.30 at Fl 156.80, has been helped by speculation ahead of Saturday's meeting of Opec. Akzo rose another Fl 3.10 to Fl 149.50 on a number of buy recommendations.

ISTANBUL was active in the electricity sector and the 75-share index closed above the 5,000 level, up 190 at 5,133.

Strong January on Santiago market reform

Leslie Crawford details reaction to the widening of institutional investment options

Santiago's stock exchange soared in January, on the wings of proposed capital market reforms which promise to broaden the investment options of Chile's private pension funds and insurance companies.

These institutions are the biggest participants in the market. The IPSA index of the 40 most traded shares rose by 11.7 per cent, in one month almost doubling the modest price gains registered in the whole of 1992.

Trading was also unusually heavy in second-tier stocks, as retail investors reacted to the news that pension funds would soon be authorised to invest in more than 100 new companies. At present, the equity portfolios of pension funds are restricted to 40 blue chips.

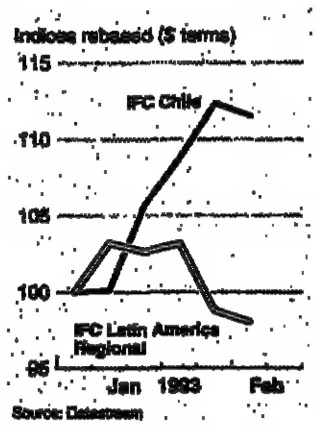
As speculators snapped up shares in these little-traded companies, the general share price index, or IGPA, rose by 16.6 per cent. In the last week of January, average daily market turnover more than doubled to $28.2m. On one day, turnover on the stock exchange floor and the electronic bourse notched up a record $45.5m.

In spite of some profit-taking at the end of January, most analysts expected the stock exchange, or Bolsa, to remain steady during February. Earlier this week the IPSA, returned to 100 each December 31, had eased to 111.06, from 111.7 on January 29.

The proposed capital markets reforms were leaked throughout the month, before being unveiled finally by Mr Alejandro Foxley, the finance minister, on January 23.

The reforms will allow private pension funds (AFPs) and insurance companies, which manage $15bn worth of funds, to broaden and diversify their equity portfolios. They will also be allowed to invest in new financial instruments such as convertible bonds, revenue bonds, foreign exchange, interest rate and equity index futures. AFPs will be free to acquire shares and corporate bonds abroad. At present, their foreign investment is restricted to AAA-rated bank debt and gilt-edged securities.

AFPs welcomed the proposed reforms as an opportunity to diversify their portfolios and reduce risk. Their equity investments are currently heavily concentrated in the privatised electricity and telecommunications sectors. This overexposure was making both the authorities and pension fund managers feel uncomfortable.



Although the new law is not expected to enter the statute books until June, Mr Mario Lobo, an investment banker with Celfin Consultants, says the announcement was "the psychological boost the market needed to consolidate other good news". This includes some excellent corporate results following a year in which the Chilean economy grew by 9.7 per cent – one of its best ever performances.

Endesa SA, the privatised utility, said 1992 had been the best year in its history, with profits up 30 per cent to $360m. Endesa is now planning to raise in excess of $50m on the international bond markets to finance acquisitions in Argentina and Peru, and to build a $450m hydro-electric dam in southern Chile.

Vineyard stocks are also bubbly after wine and champagne exporters increased their foreign shipments by 41.7 per cent last year to $119.2m. The winemakers Santa Carolina, Santa Rita and San Pedro have all outperformed the share price index.

New stock market favourites are emerging as investors realign their portfolios in anticipation of the capital market reforms. The top performers in January were the metals refinery Elecmetal and the bottling plant Cristales, both up by around 62 per cent.

Mr Antonio Cruz, manager of the two Midland Bank foreign investment funds in Chile, sees the greatest growth potential occurring in medium-sized industrial and consumer product companies. "These companies are making large investments to meet growing demand," he says. Cement plants, for example, are working at full capacity due to the construction boom in Santiago.

Tel Aviv trips over central bank signals

TEL AVIV equities, on a spectacular rising curve for more than a year, tumbled by more than 4 per cent yesterday after signals from the Bank of Israel that it wants to cool the market, *writes Hugh Carnegy in Jerusalem.*

It was the second downward lurch this week, following a 2 per cent slide on Tuesday after Mr Jacob Frenkel, the governor of the central bank, referred to the market as a "financial bubble".

After recovering on Wednesday, the market went sharply back into reverse yesterday on further reports that the Bank of Israel was seeking to curb bank lending to mutual funds for stock purchases, a major source of liquidity during the recent bull market. The main index of the 100 most traded companies dropped 4.16 per cent to 206.08 in turnover of Shk250m ($90m).

Last year, the market raced ahead by almost 100 per cent in shekel terms and by around 75 per cent in dollar terms. The 100 index ended 1992 at 195.98.

Many analysts have been warning that the market, with an average prospective price-earnings ratio of around 23, is due for a correction.

ASIA PACIFIC

Campaign promises encourage Australia to hit six-month high

TOKYO WAS closed for a national holiday but other Pacific Rim markets were generally firmer.

AUSTRALIA climbed to a six-month high, drawing encouragement from employment data and campaign promises from both of the main political parties to help the corporate sector.

Strong demand from domestic and overseas investors propelled the All Ordinaries index above the 1,600 level, but late profit-taking pulled prices off their highs. The index closed 8.5 higher at 1,599.1 in turnover of A$342.1m.

More than 9.4m Pioneer shares were traded following the resignation of the chief executive officer. The stock added a cent at A$2.32, with investors taking the view that it has been an underperformer recently.

HONG KONG remained positive, with investors encouraged by the successful flotation of Denway, which saw its HK$402m share offer oversubscribed by some 700 times. The Hang Seng index ended 21.45 ahead at 5,857.00 but turnover was low at HK$1.9bn.

Some analysts commented that slightly better than expected December trade figures also helped sentiment. In pre-listing trade, Denway was quoted at HK$3.50, up from HK$3.00. HSBC Holdings rose 50 cents to HK$61.50.

BANGKOK gave up some of an early advance but the SET index still managed to edge 1.08 ahead to 991.21. Some analysts expect the index to breakthrough the 1,000 level today. Turnover was Bt12bn.

Bank shares were in demand. Bangkok Bank put on Bt2 at Bt135. Thai Farmers Bank rose Bt28 to Bt928, Krung Thai Bank Bt4 to Bt404 and Bank of Ayudhya Bt1 to Bt79.

MANILA adopted a positive tone and the composite index climbed 23.94 to 1,403.61, with mining issues leading the rise on the back of improved gold prices.

Among blue chips, Philippine National Bank moved ahead 12 pesos to 245 pesos and Manila Electric added 25 pesos at 220 pesos on rumours of a rights issue.

SEOUL benefited from demand for financial issues and some other large-capitalisation stocks, and the composite index firmed 4.35 to 681.60. Turnover was Won654bn, up from Wednesday's Won597bn.

KUALA LUMPUR picked up as the government and the country's hereditary rulers broke their deadlock over constitutional amendments. The composite index, 5.01 lower at midday, picked up to end 3.28 easier on balance at 635.34 in turnover of some M$633m.

SINGAPORE was weaker, while Rothmans Industries shares were suspended from trading ahead of a company announcement. Rothmans Plc in London said that it had begun talks with its divisions in Malaysia and Singapore which could lead to a regional holding company.

The Straits Times Industrial index shed 4.43 to 1,621.47 in volume of 140.5m shares, against 134.3m on Wednesday.

TAIWAN remained firm following Wednesday's announcement that Governor Lien Chan was to be nominated as the next premier, so easing political worries. The weighted index rose 43.33, or 1.2 per cent, to 3,621.43 in turnover of T$18.3bn, after the previous day's T$32.7bn.

NEW ZEALAND was helped by strength in Fletcher Challenge, which advanced 6 cents to NZ$2.58. The NZSE-40 index gained 10.88 at 1,577.66.

BOMBAY eased back on profit-taking: the BSE index closed 26.29 down at 2,785.83.

SOUTH AFRICA

GOLD shares remained firm on overseas interest and the index advanced another 27 to 1,017, with Vaal Reefs gaining R10 at R190 and Southvaal up R3.50 to R52.50. The industrial index fell 42 to 4,603 while the overall index rose 10 to 3,551.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 10 1993								TUESDAY FEBRUARY 9 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	124.78	+0.5	129.59	95.36	107.36	123.95	+0.4	3.92	124.18	128.70	95.25	106.66	123.44	153.68	108.18	144.97
Austria (18)	140.44	−0.5	145.86	107.33	120.84	120.53	−0.3	1.86	141.14	146.28	108.27	121.23	120.93	186.70	131.16	180.50
Belgium (42)	138.95	−0.3	144.31	106.18	119.56	117.02	−0.1	5.16	139.30	144.37	106.84	119.64	117.14	152.27	131.19	140.51
Canada (113)	118.71	+1.1	123.29	90.72	102.13	108.82	+0.9	3.04	117.45	121.73	90.09	100.87	107.84	142.12	111.36	136.96
Denmark (33)	200.89	+0.5	208.64	153.53	172.85	172.75	+0.4	1.58	199.84	207.12	153.30	171.64	171.96	273.94	161.70	259.70
Finland (23)	65.50	−1.7	68.03	50.06	56.36	82.75	+1.2	1.72	66.66	69.09	51.14	57.26	81.77	89.80	52.84	87.98
France (98)	149.46	−0.2	155.23	114.22	128.59	131.29	+0.0	3.42	149.71	155.16	114.83	128.57	131.28	168.75	136.93	150.32
Germany (62)	109.62	+0.3	113.85	83.78	94.32	94.32	+0.5	2.42	109.30	113.28	83.85	93.87	93.87	129.89	101.59	118.47
Hong Kong (55)	233.56	+0.9	242.60	178.51	200.99	231.92	+0.9	3.89	231.58	240.02	177.64	198.91	229.93	262.28	176.36	196.70
Ireland (16)	131.28	−1.5	136.34	100.33	112.95	125.62	−1.4	4.23	133.24	138.09	102.21	114.44	127.37	173.71	122.96	167.83
Italy (76)	59.38	−1.7	61.68	45.38	51.09	68.34	−0.6	3.04	60.38	62.58	46.32	51.86	68.77	80.86	47.47	77.09
Japan (472)	107.53	+0.3	111.68	82.17	92.53	82.17	+0.0	1.01	107.17	111.07	82.21	92.06	82.21	140.95	87.27	123.10
Malaysia (69)	268.63	+0.1	279.00	205.29	231.13	271.89	−0.1	2.45	268.24	278.01	205.75	230.38	272.07	282.42	212.49	240.92
Mexico (18)	1540.86	−1.1	1600.32	1177.57	1325.80	5215.81	−1.1	1.15	1558.49	1615.24	1195.47	1338.54	5272.93	1789.77	1185.84	1621.25
Netherland (25)	155.49	−0.6	161.49	118.83	133.79	132.18	−0.3	4.30	156.35	162.04	119.93	134.29	132.62	169.70	147.88	152.74
New Zealand (13)	43.47	+0.6	45.15	33.22	37.40	45.19	+0.1	4.84	43.20	44.77	33.14	37.11	45.14	48.52	37.39	45.56
Norway (22)	145.00	+0.9	150.60	110.82	124.77	138.26	+1.2	1.80	143.65	148.88	110.19	123.38	136.58	192.85	128.05	176.12
Singapore (38)	219.45	+0.3	227.92	167.71	188.82	166.46	+0.2	1.98	218.78	226.75	167.82	187.90	165.05	229.63	179.65	223.37
South Africa (60)	170.72	+2.6	177.30	130.46	146.89	171.18	+2.4	2.94	166.39	172.45	127.63	142.90	167.22	263.60	134.21	239.32
Spain (47)	126.32	−0.3	131.20	96.54	108.69	112.73	+0.1	5.38	126.74	131.36	97.22	108.86	112.63	161.72	107.10	157.83
Sweden (36)	161.03	+0.8	167.25	123.07	138.56	178.14	+1.4	2.31	159.70	165.51	122.50	137.16	175.72	200.28	149.69	180.83
Switzerland (56)	110.62	−0.9	114.89	84.55	95.20	105.20	−0.6	2.03	111.68	115.75	85.67	95.93	105.87	122.37	95.99	101.36
United Kingdom (226)	162.17	−0.8	168.42	123.92	139.52	168.42	−0.5	4.42	163.40	169.35	125.33	140.32	169.35	200.07	161.88	179.94
USA (522)	182.31	+0.2	189.35	139.33	156.87	182.31	+0.2	2.77	181.90	188.52	139.54	156.23	181.90	183.74	160.92	170.30
Europe (780)	134.87	−0.5	140.07	103.07	116.05	128.96	−0.2	3.66	135.51	140.45	103.95	116.39	129.22	156.88	131.31	146.29
Nordic (114)	148.24	+0.6	153.96	113.29	127.55	145.62	+1.1	2.05	147.42	152.79	113.08	126.62	144.01	188.52	141.24	181.46
Pacific Basin (715)	112.37	+0.4	116.70	85.87	96.68	88.16	+0.0	1.35	111.96	116.04	85.88	96.16	88.13	141.97	93.70	128.09
Euro – Pacific (1495)	121.45	+0.0	126.14	92.81	104.50	104.37	−0.1	2.39	121.48	125.90	93.17	104.33	104.44	145.21	113.80	134.45
North America (635)	178.37	+0.3	185.25	136.33	153.50	177.33	+0.3	2.78	177.90	184.38	136.48	152.82	176.86	179.56	156.70	168.18
Europe Ex. UK (554)	117.66	−0.3	122.20	89.94	101.26	107.02	+0.0	3.14	118.00	122.30	90.53	101.37	106.98	132.98	111.33	125.79
Pacific Ex. Japan (243)	159.87	+0.6	166.04	122.20	137.57	149.59	+0.5	3.58	158.96	164.75	121.95	136.54	148.86	175.31	146.06	155.66
World Ex. US (1686)	122.78	+0.0	127.51	93.84	105.64	106.49	+0.0	2.41	122.72	127.19	94.14	105.40	106.50	146.91	115.98	136.63
World Ex. UK (1982)	139.94	+0.2	145.34	106.95	120.42	125.97	+0.2	2.36	139.63	144.71	107.11	119.94	125.77	150.58	127.21	143.81
World Ex. So. Af. (2148)	141.79	+0.1	147.26	108.37	122.01	129.35	+0.1	2.56	141.64	146.80	108.66	121.66	129.26	153.05	130.04	146.37
World Ex. Japan (1736)	161.37	+0.1	167.60	123.34	138.87	157.57	+0.1	3.10	161.28	167.16	123.73	138.54	157.36	165.40	151.93	160.94
The World Index (2208)	141.89	+0.1	147.36	108.44	122.09	129.74	+0.1	2.56	141.71	146.87	108.71	121.72	129.62	153.70	130.66	146.96

Latest prices were unavailable for this edition.